



U.S. Department of State FY 2000 Country Commercial Guide: Russia

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I. EXECUTIVE SUMMARY

This Country Commercial Guide (CCG) presents a comprehensive look at Russia's commercial climate. CCGs were established by recommendation of the Trade Promotion Coordinating Committee, a multi-agency task force, to consolidate various reports prepared for the U.S. business community. CCGs are prepared annually at U.S. Embassies through the combined efforts of several U.S. government agencies.

Overview of Import Market

Russia, with 147 million residents across 11 time zones, has a diverse economy and tremendous natural and human resources. Demand for a wide range of goods and services is strong, with imports holding high market shares in foods and consumer goods. Potential demand is held back by depressed incomes and limited working capital of enterprises in the wake of the 1998 financial crisis. Long-term market potential merits interest by major U.S. exporters. Russia remains a relatively difficult market in which to do business.

Synopsis of the Commercial Environment

Russia is in the process of developing the legal basis of a modern market economy. Since for several generations the economy was ruled by a command system that prohibited private enterprise, this task is formidable; and the task has been exacerbated by the deep impact of the August 1998 financial crisis, in which the Russian government defaulted on its domestic debt and devalued the ruble. The crisis resulted in a serious cut in purchasing power of the Russian population and rendered many Russian banks insolvent. Attention to commercial law-making and enforcement is complicated by competing demands on an administration and legislature still facing key transitional social issues in a newly democratized nation. Some commercial and financial uncertainty will remain for several years to come. While Russia offers U.S. exporters and investors potential high rewards, risk is elevated and the market's unique complications need to be carefully understood.

Russian Business Attitude Toward the United States

Russians admire U.S. technology and know-how, and show strong interest in developing ties with U.S. firms. More generally, some Russians' attitudes are still partly affected by distrust toward America, largely a residual of the Cold War propaganda of preceding generations. Strong national pride also colors attitudes towards imports of everything from laundry powder to

successful strategy is to offer the U.S. packaged product as well as a local version aimed at the broader market.

Leading Business Opportunities

Western products and services in demand include equipment and services for the energy sector; telecommunications equipment; mining and construction equipment; medical products; autos; food processing and farm machinery; computers; aircraft; cosmetics; and poultry, meats and other foods. The ability of hard currency-earning sectors such as energy and metallurgy to import U.S. goods has grown during the first half of 1999, while imports of consumer items, including cars and food products, are markedly below 1998 levels due to lower purchasing power throughout the broader Russian economy.

Major Roadblocks to Doing Business

The two major roadblocks to business in Russia are limited financing and a commercial law system that is still evolving. Operating costs are relatively high, credit data on potential partners is far below the U.S. norm, and even creditworthy partners are hamstrung by a weak banking system. New laws in the commercial arena affect the range of operating conditions from taxation and tendering to property rights and other areas. Rule of law in commerce is hindered by the absence of a tradition of accountability from law enforcement agencies. Interpretations of laws and regulations often vary. Crime and corruption exist and must be carefully avoided. Protectionism in trade enjoys increasing popularity, whereas free trade has a limited body of support.

Local and Third-Country Competition

Western European firms are active throughout Russia in most consumer and industrial products and services. In the Far East, Urals and Siberia, Asian firms are aggressive, notably in autos and lower-cost consumer goods. In the northwest, Scandinavian firms are prevalent in infrastructure development; and Turkish firms are established in many areas of Russia in the construction industry. Russian firms in most sectors offer low-cost competition, and have gained a further advantage as a result of the ruble's 1998-1999 depreciation.

Some Keys to Success

U.S. companies' quality and innovation give them an advantage

investment are typically disappointed. Many U.S. firms have taken a parsimonious approach to entering Russia -- with commensurate sales. In contrast, firms which research tax, customs and other requirements with professional sources in advance, which visit Russia often to cultivate customers, which bring product literature in Russian, and which invest beyond a minimal amount in marketing and establishing distribution channels stand a better chance of success.

U.S. and Foreign Commercial Service (US&FCS), Foreign Agriculture Service (FAS) Regional Services

US&FCS and FAS operations in Russia are headquartered at the U.S. Embassy in Moscow. US&FCS maintains offices and/or staff at the U.S. Consulates in St. Petersburg, Vladivostok and Yekaterinburg; FAS operates offices in St. Petersburg and Vladivostok. Both agencies support U.S. firms with a range of services including customized counseling, agent/distributor search services, individualized appointments (Gold Key Service), trade promotion events and where appropriate, project-specific advocacy.

Country Commercial Guides are available on the National Trade Data Bank CD-ROM or via Internet. Please contact STAT-USA at 1-800-STAT-USA for details. CCGs can be accessed on the World Wide Web at www.stat-usa.gov; www.state.gov/; and at www.mac.doc.gov. They also can be ordered in hard copy or on diskette from the National Technical Information Service at 1-800-553-NTIS. U.S. exporters seeking general or country-specific export information and assistance should contact the U.S. Department of Commerce's Trade Information Center at Tel 1-800-USA-TRAD or fax (202) 482-4473.

II. ECONOMIC TRENDS AND OUTLOOK

Major Trends And Outlook

Russia's 1998 economic crisis, sparked by spillover effects of the East Asian crisis, low oil prices and a fundamental fiscal imbalance, led to a loss of confidence in Russia's economy. Investors withdrew from government securities, driving yields to unsustainable highs and putting significant pressure on the ruble. When a \$4.2 billion IMF tranche disbursed in July 1998 failed to restore market confidence, investors continued to leave, placing additional pressure on the ruble and Russia's foreign exchange reserves. On August 17, 1998, Russia became the first country in modern times to announce a restructuring of its domestic government securities. Simultaneously, the Central Bank declared a moratorium on certain loan repayments, imposed new capital controls and widened the ruble exchange rate band (originally set at R6.0-6.2/\$ to R6.0-9.5/\$).

The ruble quickly hit, then broke through the upper limit of the new wider band. Facing dwindling reserves and continued pressure, the Central Bank switched to a policy of a "managed float." The ruble ended the year near R21.1/\$ and has been relatively stable in 1999, buoyed by stronger energy prices and

more stringent foreign exchange. As of July 8, 1999, the ruble was trading near R24.4/\$.

In 1998, Russia's banking sector suffered a systemic collapse. Large banks were heavily invested in domestic government securities. Many were also active in the equity market, which plummeted. Many large Russian banks were active in forward foreign exchange markets and were left insolvent by the devaluation. The payments system ground to a halt, many banks defaulted on external borrowings (including Eurobonds) and large numbers of depositors were unable to access their funds. The Central Bank has since succeeded in resuscitating the payments system. Depositors in some institutions were able to recover a portion of their funds from a Central Bank program to transfer small accounts to state-owned Sberbank. Progress towards closing or restructuring insolvent banks has been slow.

A devaluation-triggered inflationary spike followed the August crisis, with monthly inflation hitting 41.5% in September 1998. Yearly inflation for 1998 was 84.3%, but inflation has decelerated in 1999. Predicted inflation for 1999, according to IMF and World Bank figures, will be approximately 30%. Monthly inflation in May 1999 was 2.2%, down from April 1999 rate of 3%, but still up significantly from the .5% monthly inflation registered in May 1998 and running at 116% year-on-year.

Tight monetary policy after the crisis allowed the Central Bank to prevent inflation from spinning out of control. However, the Russian economy has been slow to recover. In 1998, GDP contracted by 5.2% and was down 4% in the first quarter of 1999. Although industrial production also fell by 5.2% in 1998, a modest recovery began at the end of the year. Industrial production has risen moderately in 1999, with preliminary figures showing April output up 1.5% year-on-year, on pace toward a 3.5% annual rate.

Currently, the Russian government does not have access to capital markets, either domestic or international, as a result of its restructuring of domestic debt and its announced intention to seek restructuring of a portion of its external debt. This, combined with the lack of an IMF program, has forced the Government to get serious about addressing Russia's persistent fiscal imbalance. In the first quarter of 1999, the federal budget showed a primary surplus (before debt servicing) of 1.2% of GDP, compared to a primary surplus of .2% for the first quarter of 1998. Encouragingly, progress has been made on both revenues and expenditures. Revenues grew from 10.6% of GDP in the first quarter of 1998 to 11% of GDP in the first quarter of 1999. Non-interest expenditures fell from 10.3% of GDP in the first quarter of 1998 to 9.8% of GDP in the first quarter of 1999. In light of this performance, the IMF and World Bank are expected to approve 1999 programs in the summer and to disburse funds if Russian performance meets program standards.

Balance of Payments

Russia's balance of payments dynamics have changed markedly

Exports fell from \$18.5 billion in the first quarter of 1998 to \$15.6 billion in the first quarter of 1999. Imports collapsed following devaluation, from \$18.3 billion in the first quarter of 1998 to \$9.4 billion in the first quarter of 1999. Accordingly, the trade surplus has risen from \$200 million in the first quarter of last year to \$6.2 billion in the first quarter of 1999. Exports are expected to grow in the second quarter of 1999, due to stronger prices for energy (which in the first quarter of 1999 accounted for 40 percent of Russia's export revenue) as well as greater competitiveness of other exports. Recovery in imports will be constrained by current low real income levels and the higher competitiveness of lower-priced, domestically-produced import substitutes.

The crisis has also curbed investment. Annual foreign direct investment into Russia fell from \$4 billion in 1997 to \$2.2 billion in 1998. Portfolio investment fell even more sharply, from \$17.3 billion in 1997 to \$8 billion in 1998. Investment is not expected to recover in 1999. Russia's official external debt is currently \$152.4 billion. The Government has announced that it cannot meet its 1999 external debt payments of \$17.2 billion. Instead, the 1999 budget envisions payments of \$9 billion. Russia has missed scheduled payments on its rescheduled London and Paris Club debts, although creditors to date have opted not to declare Russia in official default. As of July, 1999, the Government has continued to meet scheduled payments on its Eurobonds (total par value \$15.9 billion) and debts to international financial institutions. The Government has tapped Central Bank foreign exchange reserves to meet external debt payments, with the Bank granting roughly \$7.1 billion in such financing from August 1998 to May 1999.

Principal Growth Sectors

Domestic production received a boost from the devaluation, which priced many imports out of the market. Domestic producers have picked up some of the slack. Sectors that have experienced growth include chemicals, forestry, pulp and paper, food processing (more than 10 percent production increase from 1998 to 1999) and to a lesser extent, machine building, non-ferrous metals, construction materials, glass and porcelain.

However, many Russian firms remain hampered by lack of working capital, impeding their ability to raise output to fully capitalize on their relative price advantage following the devaluation. Lower real incomes have also constrained demand. Preliminary data showed average dollar wages of \$59.7/month at the end of May 1999, compared with \$134.4/month at the end of 1998. A sustained increase in domestic demand is unlikely to come in the absence of a recovery in real incomes.

Exporters who are paid in dollars but whose costs are ruble-denominated also received a boost from devaluation. This is especially true of energy producers, who have also benefited from rising world oil prices. The price of Brent crude had risen 50 percent during the first half of 1999, providing a significant boost to both production volumes and revenues. Exporters in other sectors, including chemicals, non-ferrous

metals (especially aluminum) and minerals, fertilizer and paper, have also registered production increases.

Regional Perspectives

While Moscow and St. Petersburg are the most affluent and concentrated markets, especially in the consumer sector, business in Russia is expanding into the regions. Highlighted below are snapshots of Moscow, Russia's wealthiest city; St. Petersburg, the heart of northwest Russia; the industrialized areas of the Urals and West Siberia; and the Russian Far East, Russia's window to the East Asian and trans-Pacific economy.

Moscow and Environs:

The 10 million people in Moscow City proper and another 6.5 million in surrounding Moscow Oblast make up over ten percent of Russia's total population and is the largest and wealthiest metropolitan consumer market. Moscow is Russia's undisputed political and financial center, home to a large percentage of its nascent middle class, and is the city in Russia with the most diverse economy, and most modern transport and communication services and other commercial infrastructure. The Moscow Oblast Customs Department processes fully one-third of Russia's total trade turnover. Communications and road modernization have been top priorities of the city and oblast administrations and are proceeding apace despite the country's broader economic downturn in 1998. The number of cars on Moscow streets has more than quadrupled during the past decade. Despite a heavy bureaucracy, the city has taken advantage of its position as Russia's financial capital and transportation nexus to foster a growing foreign business community. Costs for business services, while the highest in Russia, have fallen marginally since autumn 1998.

Moscow Oblast offers a unique mix of opportunities to local companies and foreign investors. Although the oblast surrounds the capital, it generally does not have prices, rent or production costs as high as those found in the city itself, yet is nearby enough to benefit from the capital's economic vitality, infrastructure and large market. In both Moscow City and Moscow Oblast, companies generally do not face the liquidity problems endemic in other Russian regions.

St. Petersburg and Northwest Russia:

St. Petersburg is Russia's second largest city and the fourth largest in Europe, with a population of five million. The surrounding Leningrad Oblast adds another 1.8 million. St. Petersburg is a major financial, commercial, and industrial center, and a key educational and research hub. Its factories

transportation center, tying Russia to Scandinavia and the rest of Europe. Combined, St. Petersburg and Leningrad Oblast form a substantial market for consumer and industrial goods.

During the last three years, Northwest Russia has attracted more foreign investment than any other area of Russia save for Moscow, and has distinguished itself by the progressive outlook of its political and economic leaders. Novgorod Oblast was the first region in NW Russia to adopt a foreign investment law, providing up to 100 percent local tax holidays for incoming investors. In 1997, it won the American Chamber of Commerce in Russia's "Region of the Year Award." Leningrad Oblast has the highest per capita investment in the country, and the U.S. ranks as the largest investor in both St. Petersburg and Leningrad Oblast. Currently, over 200 U.S. companies are operating in Northwest Russia.

In 1996, St. Petersburg raised \$300 million through a Eurobond program. Despite the crisis, the city has been able to make interest payments on the bonds (although a new issue planned for 1999 has been postponed). Leningrad Oblast, which obtained syndicated bank financing, has not defaulted on its loans, although it has been delinquent in making payments.

With their proximity to European cargo routes, St. Petersburg and Leningrad Oblast are a natural transportation hub. The Port of St. Petersburg is Russia's largest commercial seaport by volume, and handles over a third of Russia's imports. Although the economic crisis only resulted in a slight 3 percent decline in traffic at the port in 1998, this figure was nearly 10 percent below the expected turnover for the year. Commercial seaports are also located in Murmansk, Kaliningrad, and Arkhangelsk, and several cargo port projects are being developed in Leningrad Oblast. Presently, Russian ports are generally not sufficiently equipped to provide modern services, and commercial opportunities exist for U.S. firms in modernizing port handling facilities, developing modern freight forwarding systems and constructing cargo-processing terminals in the ports.

St. Petersburg is also enjoying significant growth in other transport facilities. Capacity at Pulkovo-2 is being taxed with increasing passenger traffic, and a feasibility study estimates that the number of passengers will increase from 1.45 million in 1998 to 3.66 million by 2008. In response, the EBRD has approved a loan for construction of Pulkovo-3, a new international passenger terminal. The Pulkovo-3 program envisions airport, runway, and infrastructure development, and longer-term development of the surrounding area, including the construction of a hotel, business-centers, warehousing, and

Petersburg area also has an extensive rail network connecting it to Western Europe, Moscow, and other Russian regions.

According to UNESCO, St. Petersburg is the only Russian city ranked among the world's top 10 cities in "tourism appeal." Despite a still underdeveloped tourism infrastructure, over two million foreign tourists will visit St. Petersburg in 1999 (down slightly from 1998 due to the economic crisis and the Kosovo conflict). Tourism is expected to grow 6-9 percent annually over the next five years, creating a burden on the city's hotels, which are booked during the summer. Moreover, St. Petersburg has few mid-range hotels, and is in need of international-standard 3-star hotels. The city is seeking to cultivate joint ventures with foreign investors and hotel chains and to conclude management contracts with international chains that can invest in hotel renovation.

Outside of the St. Petersburg-Leningrad Oblast metropolitan area, Northwest Russia offers many commercial opportunities. As in the rest of Russia, the weaker ruble has stimulated domestic production in the northwest. Small investments can bring substantial returns and help build a base in Russia, since these areas have a number of underutilized enterprises with good equipment and an educated workforce. Murmansk Oblast, above the Arctic Circle, has abundant mineral, oil and gas deposits, as well as established mining, metallurgy, and fishing industries. Neighboring Arkhangelsk's largest investment is Conoco's Polar Lights project, providing a market for petroleum processing products and services. Pskov, which links St. Petersburg and Northwest Russia with Kiev and Southern Russia, offers opportunities in agriculture, food processing, and tourism. Karelia's main sectors are logging, wood processing, and pulp and paper, as 85 percent of the territory is covered by state forest stock. Vologda also holds opportunities in forest products as well as chemicals.

The market in Northwest Russia is generally receptive to U.S.-manufactured goods. However, U.S. new-to-market exporters should note that a number of European firms, primarily from Scandinavia and Germany, have already established their distribution networks in Northwest Russia and pose significant competition in many industries. In most cases, the primary competitive factors to be considered are pricing/financing, terms of delivery, adaptability of the product, and a well-established representation or distributor network.

The Ural Mountains and Western Siberia:

Central Russia's Urals and Western Siberia territories cover an

most resource-rich regions, with minerals, fossil fuels and vast forests. During the Soviet period, the Urals region was a leading center of heavy industry (metallurgy and machine building), as well as defense and aerospace plants. Today, those industries remain concentrated in Chelyabinsk, Perm and Sverdlovsk Oblasts. In Western Siberia, Tyumen Oblast is known for its prolific gas and oil reserves.

In addition to fossil fuels and heavy industry, the telecommunications and food processing industries offer opportunities for American firms. The telecom infrastructure around urban centers has developed rapidly over the past four years. Local landline services are concentrating on data communications and digital switching upgrades. Cellular Tel services are now available in most of the region's major cities. Food processing also has been expanding, particularly since last year's ruble devaluation has priced most imported foodstuffs out of this market. The region is home to over 6,000 food processing firms, many of which seek imported processing and packing production lines to meet the increasing demand for high quality, competitively priced foodstuffs.

Russia's nationwide financial crisis has affected the Urals and Western Siberia in much the same way as other parts of the country. Low world oil prices into early 1999 and U.S. antidumping action against Russian steel exacerbated economic difficulties in this region. At the same time, its marketable natural resources and industrial capacity with export potential promise that it should be one of the first areas of the country after Moscow to recover economically.

Sverdlovsk Oblast (4.6 million residents) is one of Russia's most urbanized areas. Its capital, Yekaterinburg (1.6 million inhabitants), is Russia's third or fourth largest city. Sverdlovsk Oblast has the largest GDP of any oblast in the Urals, producing 5 percent of Russia's industrial output and ranking second only to Moscow Oblast in that category. Ferrous metallurgy and machine building form a large chunk of Sverdlovsk's economy, much of it defense-related. Services have grown to 40 percent of regional GDP. Yekaterinburg is a major road and rail transport hubs, with regular air service to several European cities. Its banking infrastructure is the best in the Urals, with 31 banks and 17 branches of commercial banks from other regions. In 1997, Sverdlovsk became the fourth oblast in Russia to receive an international credit rating. Sverdlovsk Oblast leads the Urals in attracting investment, and several large U.S. firms have substantial investments here. The oblast's top exports are steel, copper, chemicals, aluminum, titanium and radioisotopes. According to oblast statistics, 1998 trade was valued at \$2.0 billion, of which trade with the

remains a growth sector, and the world's second-largest titanium producer (VSMPO, a supplier to Boeing and other multinational firms) is found here.

Perm Oblast Heavy industry, primarily metallurgy and machine building are still a large sector of the economy of Perm Oblast (3.1 million residents). Much of this industry is defense-related, and production of aircraft engines, Proton rockets and space control systems continues. Perm produces 30 percent of Russia's paper and 98 percent of its potassium-based fertilizers. The oblast is also a regional center for electricity generation. The oblast capital, the city of Perm (population 1.2 million) is a major river port (on the Kama, with access to the Volga), has two airports and is situated on the Trans-Siberian railway. In 1998, Perm's foreign trade was valued at \$1.5 billion, including \$87 million with the U.S. The oblast's 1998 imports were valued at \$300 million. Perm's top exports are refined oil and petrochemical products, fertilizers and metals. Perm has over 100 known deposits of oil and gas and two oil refineries. Annual extraction exceeds 9 million metric tons of oil and 500 million cubic meters of gas. Fifty percent of Russia's magnesium, 98 percent of its potassium and most of its titanium ore come from Perm.

Chelyabinsk Oblast (population 3.6 million) ranks fifth in Russia in industrial output. Oblast officials estimate 1998 foreign trade turnover at \$2.3 billion, including \$350 million with the United States. Ferrous metallurgy and machine building play a key role in the oblast's economy. Metals account for 85 percent of the oblast's exports and over 40 percent of total output. The oblast is rich in iron ore, copper, bauxite and gold. It is situated along the Trans-Siberian railway. Over 70 percent of its exports of ferrous metals come from the giant Magnitogorsk Metallurgical Works.

Tyumen Oblast (population 3 million) is Russia's third largest oblast in terms of territory, and includes two autonomous districts, Khanty-Mansiysk and Yamalo-Nenets. Tyumen is rich in oil and gas: its combined output of both exceeds 7 percent of Russia's GDP (including over 90 percent of Russia's natural gas and 60 percent of its oil). GAZPROM dominates the gas industry in Yamalo-Nenets, while LUKOIL, YUKOS, Sibneft and Tyumen Oil Company are the oil leaders in Khanty-Mansiysk. Southern Tyumen Oblast is predominantly agricultural. Several U.S. and European firms have established joint ventures in the region for production and sale of crude oil. Tyumen is an important electric power producer, accounting for 7 percent of Russia's electricity. It also produces a third of Russia's automobile batteries. The oblast has drawn up plans for revitalization of

The Russian Far East:

Separated from the world market for most of its history, the Russian Far East (RFE) is only today becoming a full participant in international trade. This presents both unique opportunities and challenges for U.S. exporters. The RFE market has four time zones, 6.2 million square kilometers (two-thirds the size of the continental U.S.), a population of 8 million, and ten cities with over 100,000 people.

The 1998 devaluation of the ruble has been the key recent economic event in the rapidly changing resource-based economy of the Russian Far East. The markedly weakened ruble has made many Russian Far East (RFE) industries newly competitive in world markets. Though the decline of the ruble has been bad news for many U.S. exporters (particularly food exporters), it has created new opportunities for U.S. equipment exporters as Russian factory managers try to retool aging facilities in order to step up production. Though the regional economy is still very depressed, pockets of recovery are visible in the wood processing, food processing, and fishing sectors.

U.S. companies face considerable obstacles to business in the Russian Far East, as elsewhere in Russia. Obstacles unique to the RFE include remoteness and isolation from the rest of Russia; lack of frequent, reliable flights and transport; comparative lack of sophistication and international experience of many RFE business and government leaders; inadequacy and continued deterioration of infrastructure, including transport, heat, telecommunications, water, electricity, medical services, and housing; and regional travel restrictions, often holdovers from the Soviet period.

After four years of growth, U.S. exports to the region declined in 1998, as U.S. food sales (mainly chicken and meat) fell in favor of local Russian production. However, we have witnessed more requests from suddenly competitive local Russian manufacturers for industrial equipment.

Exports to the Russian Far East (millions USD)

	1994	1995	1996	1997	1998
U.S. Exports	227	372	425	470	270
World Exports	650	1748	1683	2100	1500

The number of U.S. firms active in the market is climbing:

Region	#Firms	1997	1998	1999
Primorsky		30	36	45
Sakhalin		25	26	34
.		--	--	--

Kamchatka	5?	12	10
Amurskaya	?	5	3
Yakutsk	?	4	1
Total	95	123	142

While difficult to estimate precisely, existing and potential U.S. investment in the region is substantial.

U.S. investment in the RFE (millions USD)		
<u>Sector</u>	<u>Existing</u>	<u>L/T Potential</u>
Oil and gas	500	35,000
Mining	10	270
Ports	5	220
Fishing	4	100
Forestry	44	10
Environmental	25	15
Food processing	40	15
Retail	3	0
Real estate	2	0
Total	633	35,630

As shown by the table above, though U.S. activity in other extractive sectors is substantial, the chief U.S. business interests in the RFE are the Sakhalin offshore oil and gas projects (which could bring \$35 billion in investment over the coming decades -- six times the sum of cumulative U.S. investment in Russia to date).

III. POLITICAL ENVIRONMENT

Bilateral Relationship with the United States

U.S. relations with Russia have evolved through various phases since the break-up of the Soviet Union, and numerous summits and Binational Commission meetings have built a substantial U.S.-Russia agenda of issues for bilateral cooperation. The last bilateral summit was held in Moscow in September 1998, and Presidents Clinton and Yeltsin met most recently on the margins of the June 1999 G-8 Summit in Cologne. In addition to regional crisis resolution, such bilateral talks have been focused on issues such as arms control, cooperation to prevent proliferation of weapons of mass destruction and the means for their delivery, combatting organized crime, counterterrorism, and the environment. Sharp disagreement between Russia and NATO in spring 1999 burdened the U.S.-Russia relationship, but both joined in efforts to bring military actions in Yugoslavia to an end and to work out means of Russian participation in the NATO-led international peacekeeping force for Kosovo.

The U.S. continues to support Russian efforts to build a democratic society and market economy, and to integrate Russia more broadly and firmly into the international community. U.S.

continues to take steps to clear from the books Cold-War-era legislation limiting contacts with Russia.

Major Political Issues Affecting the Business Climate

Russia has only a seven-year history of free elections, and democratic institutions are still fragile. The July 1996 presidential election, the first free nationwide election of a head of state in Russia's 1,000-year history, helped to reassure investors about Russia's political stability. Nevertheless, other political factors, including the legal and judicial climate, affect the business environment in Russia. And the approach of Russia's next round of elections for its national Parliament and President contribute to uncertainties for the next twelve months. Although Russian law now includes a Civil Code (which includes a commercial code) and a Criminal Code, key amendments are needed to improve the business environment.

Protectionist elements in the government and Federal Assembly have risen in response to a broad but unfounded belief that free trade and foreign business activity in the post-Soviet years is a major cause of the nation's industrial decline. This has led some politicians to advocate limits on foreign share holdings or property ownership, or an increased tax burden on foreign businesses.

Political System, Elections, and Orientation of Major Parties

As outlined in the constitution adopted in December 1993, the Russian Federation is governed by a political system modeled after many in the West. The federal system is composed of three branches: executive, legislative and judicial. The Federation is composed of 89 "subjects," including regions, ethnically-based autonomous republics, territories and the cities of Moscow and St. Petersburg. These "subjects" are granted some autonomy over internal economic and political issues, but there is considerable ambiguity in the "power-sharing" agreements which the central government has signed and continues to negotiate with many Federation subjects.

Executive Branch: Under the constitution, the executive branch is led by the President, who is elected for a four-year term and may serve two terms. President Yeltsin's term expires in 2000, and elections are scheduled for June 2000. He has the right to choose the Prime Minister (currently Sergei Stepashin), with the approval of the State Duma (the lower house of the legislature). The President, upon the recommendation of the Prime Minister, appoints Ministers, who are responsible for the execution of legislation and decrees in their respective fields.

Judicial Branch: The top levels of the judicial branch consist of the Constitutional Court, which reviews the constitutionality of federal legislation; the Supreme Court, which is the highest civil and criminal judiciary body; and the Supreme Arbitration Court which resolves economic disputes between subjects of the Federation. The Supreme Court and Supreme Arbitration Court preside over a federal system of lower criminal and civil courts. The Constitutional Court held its first session in the spring of 1995.

Legislative Branch: The legislature consists of a two-chamber Federal Assembly, first elected in December 1993. The upper house, the Federation Council, was reformed in January 1996 and is no longer directly elected. Rather, it consists ex-officio of the heads of both the executive and legislative branches of each subject territory of the Russian Federation. The Federation Council reviews legislation passed by the lower house, including the federal budget and international treaties, and adopts its own resolutions. The lower house, or State Duma, consists of 450 deputies, half selected on the basis of single-mandate geographic districts and half on the basis of party lists. The Duma passes federal laws and adopts resolutions. Duma members are elected to four-year terms, although under rare constitutional circumstances the President can dismiss the Duma and call early elections. The last nationwide Duma elections were held in December 1995, with the next national Duma elections planned for December 1999.

Political Parties: Seven parties and factions are represented in the Duma. The reconstituted Communist Party, headed by Gennadiy Zyuganov, is the largest faction in the lower house. On most issues it is supported by the smaller "People's Power" faction. The "Agrarian Party" also is allied closely with the communists and represents Russia's agricultural establishment, advocating strong government support for the farm sector. Reformist forces in the Federal Assembly are led by Grigoriy Yavlinsky's "Yabloko" party, which supports free markets but is inclined to use government funds to ensure a strong social safety net. Centrist groups, some of which advocate a slower approach to reform, include "Our Home is Russia" (founded by former Prime Minister Chernomyrdin) and "Russia's Regions," a loose grouping of centrist politicians. The "Liberal Democratic Party of Russia" is a right-wing nationalist party led by Vladimir Zhirinovskiy (although its members have not consistently voted as a bloc on key issues). The communists and their allies hold a near majority on most issues.

IV. MARKETING U.S. PRODUCTS AND SERVICES

U.S. business has dramatically increased its activity in Russia since the collapse of the Soviet Union. Membership in the private-sector American Chamber of Commerce in Russia (Amcham) grew from a few dozen companies in 1994 to roughly 500 by 1999, making it the fastest-growing U.S. business chamber in the world during this period. Amcham, with chapters in Moscow and St. Petersburg and more than a dozen member-led committees, has worked closely with the U.S. Commercial Service and private-sector associations in bringing policy issues to the attention of the U.S. and Russian governments to encourage improvement of Russia's commercial climate, and in calling U.S. companies' attention to overlooked opportunities in regions beyond Moscow.

On an accumulated basis, America remains the largest single-country investor in Russia, but ranks behind the EU as a whole in investment in, as well as in exports to, Russia. In 1998, Germany was the largest source of foreign portfolio investment into Russia (attributable to Ruhrgas' large investment in Gazprom), while the U.S. remained the largest source of foreign direct investment (see Appendix D). In fact, Russia has received relatively little foreign direct investment compared with, for example, Central Europe or China. Most firms have decided that early returns are not great enough to compensate for high start-up costs and perceived risks. With few exceptions, U.S. firms investing in Russia describe their decision to do so as strategic, based on the promise of long-term position rather than short-term sales.

Western Europe's share of exports to Russia parallels its share of direct investment in Russia: in each case, it accounts for around a third of the total. The U.S., on the other hand, accounted for only 6 percent of Russian imports but contributed 35 percent of direct investment in 1998. Overall, there is a contrast between the trade-oriented policy of Western European firms toward Russia and the approach taken by U.S. firms. Some of this is due to Europe's proximity and the logistical advantages this confers. However, anecdotal evidence suggests that U.S. firms have been less active than their European competitors in taking advantage of opportunities and in marketing and building distribution networks at regional levels in Russia.

Distribution and Sales Channels

Companies operating in America are accustomed to well-defined distribution channels, relentless competition, and strong advertising budgets. Firms in Russia, by contrast, encounter erratic distribution, unpredictable (but often tough) competition, and word-of-mouth marketing. Although Russia

outside of Moscow and St. Petersburg -- takes place through less formal channels. Penetrating these channels is often the key to success or failure for an American company operating in the Russian market. Western companies which have succeeded have done so through a combination of improvisation and innovation, combined with a substantial investment of time and a tolerance for early mistakes. U.S. companies with a long-term market development strategy may find regional markets well worth exploring, because anecdotal evidence indicates that European products are increasingly showing up unchallenged in Russia's regional markets.

Use of Agents and Distributors / Finding a Partner

Both experienced exporters and those with less well-developed agent selection criteria are well-advised to cultivate personal, ongoing relations with agents, to proceed gradually, and to retain a fall-back position should a relationship sour. Experience has shown that perhaps the riskiest strategy is to visit Russia only once or twice, select an agent and grant him exclusive representation, then move quickly to consignment or credit sales without establishing a solid track record, especially with regard to payments.

To succeed, U.S. companies must consider a variety of local and regional distribution alternatives. In a few product categories (e.g., apparel, packaged foods, and alcoholic beverages), foreign suppliers can choose from a small but growing number of existing Russian distributors. These Russian agents can help the foreign supplier by placing its products on store shelves, handling customs and transportation matters and conducting advertising campaigns. Most of recently-formed Russian distributors are small-volume operations with experience limited to the main cities of Moscow and St. Petersburg or other regional centers.

Over the last four years, many foreign manufacturers of consumer appliances and durables have moved away from using official distributors. These companies typically have replaced agency agreements with their own representation in major cities. They then sell directly to Russian importers, who take possession of goods outside Russia (in Finland, for example) and import for their own account. This affords the manufacturer greater control over prices and distribution, while avoiding potential tax and customs liabilities, as well as the uncertainties of the local commercial environment.

Meanwhile, other foreign companies have decided that the reputation of their firm and brands could suffer if they fail to

met trouble as a result of false invoicing and other irregularities committed by their intermediaries). Firms which opt for direct exports will likely face lower early returns, due to reduced sales owing to duties and higher landed costs. However, for those determined to build a strong presence in Russia, this policy may be seen as an investment that will ultimately pay reputational dividends.

In the aftermath of the 1998 financial crisis, many Western firms selling in Russia have pared back their distribution networks, focusing products and resources on those distributors who were able to maintain sales and payments while cutting loose those who performed less well. This strategy is designed mainly to cut medium-term costs during a period of depressed sales, although it could slow companies' efforts to expand into regional markets.

The U.S. Department of Commerce provides assistance to U.S. companies seeking Russian partners, agents or distributors through the Agent/Distributor and Gold Key services offered by the Russia-based offices of the U.S. Commercial Service, and also through the "Search for Partners" program of the Department's Business Information Service for the New Independent States (BISNIS). Contact information for these offices is found in Chapters IX and XI.

Direct Marketing

In Russian cities, telemarketing and fax marketing to business customers is common but not particularly effective. By contrast, person-to-person direct marketing works well (e.g., in the health and beauty products markets). Other direct marketing channels (e.g., catalogs, internet and regular mail) remain in their infancy. Many shippers are reluctant to send goods without prepayment, especially those who were burned by non-payments during 1998's freeze-up of the banking system. The base of customers with credit cards remains very small, and although it is expanding, this remains a key constraint on the growth of catalog and online business. However, since catalog businesses avoid high costs of retail distribution in Russia, they have potential for higher profit margins, and this market segment should heat up in coming years.

Joint Ventures and Licensing

Joint venturing demands meticulous planning and sustained commitment from U.S. partners. In most cases, other forms of alliance, in which the U.S. partner retains managerial control, are preferable. JVs in which foreign partners hold minority

minority shareholders face serious difficulty in protecting their interests in Russian courts.

Usually, foreign firms have established JVs to market goods, and sometimes to manufacture. Goods made and/or distributed successfully by U.S.-Russian JVs range from soft drinks, ice cream and cigarettes to elevators, oil, sport-utility vehicles and jet engines. Some firms choose to create a JV to capture lower local cost structures, in effect running their business as a Russian would. High taxes and uncertainty in Russia's legal environment are barriers to greater reliance on JVs as a form of market entry by U.S. suppliers.

One advantage of a JV is that it can help a U.S. firm gain a measure of Russian identity, which can be useful in a culture where many still view foreigners with suspicion. Political pressure is mounting in Russia for domestic-content mandates for key sectors or large-scale procurements. For example, some planned foreign investments in the oil industry may entail contractual commitments to use 70 percent or more Russian-sourced goods and services. Firms that can creatively help oil producers meet these requirements may be in an advantageous position to serve this industry.

The joint venture concept is often viewed differently by the Russian and American partners. U.S. companies, especially smaller ones, often view JVs as a means of securing a local partner with experience selling in the Russian market, and may agree to a JV as the price for this expertise. Many Russian managers, on the other hand, view a foreign partner chiefly as a source of working capital, and proactive local market development may not be a high priority. While there are many examples of successful JVs in which both partners' goals have been met, ceding managerial oversight over any aspects of a JV to a Russian partner who does not share the U.S. investor's objectives invites trouble. U.S. firms should thoroughly explore whether a Russian potential partner shares priorities and expectations before making financial or legal commitments.

A mistake that often has led to commercial failure and, in some cases, bitter legal disputes, is for an American to strike a JV agreement with a Russian partner after a limited history of cooperation, and then return to the U.S. as an "absentee" partner in the expectation that the Russian partner will manage day-to-day operations, implement a business plan, and wire home the American's agreed-upon share of the profits on schedule. This is a recipe for disaster. Any firm that undertakes a JV in Russia should be ready to invest the constant personal attention of American managerial staff to keep the business on-course,

Licensing of U.S. technology for production in Russia outside the context of joint ventures remains rare. Chief hurdles which licensing arrangements must overcome include concerns over quality levels attainable by Russian facilities in the absence of significant investments in retooling, uncertain intellectual property protection (especially in the software industry, where potential for licensing is otherwise high) and difficulty in receiving regular payments on-time. In the opposite direction, Russian companies generally are eager to license their technologies to foreign companies in exchange for the cash infusion this brings. In 1998, one major American chemical manufacturer signed a \$40 million agreement with a Russian chemical firm to license Russian chemical technology. Again, computer software is an area with high potential for this avenue of cooperation.

Establishing an Office; Business Structures

Registration of foreign businesses in Russia is regulated by the 1991 law on foreign investment, as well as the Civil Code and other legal acts. **Branch offices** and **accredited representative offices** are both legally distinct from full-fledged Russian corporations, which may be established by foreign firms in Russia either as **joint-stock companies** with partial Russian ownership, or as **wholly-owned subsidiaries** of the foreign firm. Foreign ownership can legally be as high as 100 percent, except in certain sectors where foreign stakes are restricted by law (e.g., as defense-related enterprises, where foreign ownership cannot exceed 25 percent).

--Branch Offices: Branches are not considered independent legal entities, and cannot make a profit in Russia. Branches of U.S. companies can negotiate or market on behalf of American firms based outside Russia, providing business support or promotion services to the parent company in the U.S., but cannot turn a profit in Russia. Setting up a branch may be worthwhile if a foreign company has just begun pursuing business in Russia and is in the process of exploring opportunities and making initial contacts in the market. Many large U.S. firms now active here originally began their Russian operations as locally-established branches. Keep in mind that the term "branch" under Russian law refers to a specific type of corporate structure. U.S. firms should not use the term "branch" with registration authorities if the purpose is in fact to register as a full-fledged company.

--Accredited Representative Offices: Like branches, accredited rep offices are not independent legal entities, and cannot earn profit, in Russia. After accreditation is obtained from an

St. Petersburg registration chambers if based there, or with other local registration chambers in other cities. Advantages of an accredited office include annual (rather than monthly) reporting requirement for some activities (including some tax payments), and greater leeway in issuing invitations for U.S. partners to visit Russia on business visas. Up to five foreign employees may work with an accredited office of a foreign company. Offices are usually accredited for terms of from 1 - 3 years. The accreditation could be provided by several Russian government agencies and ministries supervising the industry in which a company operates, including the State Registration Chamber, the Central Bank, Ministry of Trade, Ministry of Finance, or Chambers of Commerce and Industry of Moscow or of the Russian Federation. Accreditation is more time-consuming (2-3 months) and expensive than establishing a branch office. Accreditation fees vary from \$1,000-1,500 for one year to \$3,000-3,500 for three years.

--Full-fledged companies operating in the oil & gas or coal-mining sectors as well as businesses investing over 100,000 rubles (about \$ 5,000) as charter capital are to be registered with the State Registration Chamber (SRC), which since September 1998 has been under jurisdiction of the Ministry of Justice. Other businesses should be registered with regional registration chambers (or city registration chambers, if established in Moscow and St. Petersburg).

Apart from registering businesses, the SRC also provides accreditation service to representative offices of foreign companies in Russia. The Chamber maintains a State Register of Companies with Foreign Investments registered in Russia, the Consolidated State Register of representative offices of foreign companies registered in Russia, and the State Register of branches of foreign companies in Russia. Registration with the SRC serves to certify the companies' legal status at the federal level. The Chamber also registers liquidations of businesses having foreign capital. Companies with foreign capital may be established in a form of a joint stock company or a limited liability company. Minimum authorized capital of a limited liability company is 100 minimum monthly wages (as of this moment, - 8,300 rubles or about \$400) and 1,000 minimum monthly wages for a company with Russian partner(s).

Registration is supposed to take from 21 days to a month, but in practice, due to backlogs at registration offices, often takes longer. Registration entails obtaining first a temporary registration certificate, then a permanent one. To receive a temporary registration certificate, a foreign investor should submit required documents and have fifty percent of the

bank account within a year after the registration for the registration to remain valid). Within 45 days after receiving the temporary registration, the investor should register with the State Registration Chamber and Russian tax authorities. After this is done, a permanent registration can be granted. While the official registration fee is low (4 minimum monthly wages, or 332 rubles or about \$14.5), the actual cost may include other expenditures such as document preparation and legal counsel. U.S. Commercial Service offices can provide additional details on registration requirements, but we strongly recommend that firms also seek professional legal advice when registering in Russia.

Sales Factors

U.S. firms generally find success by choosing their sales targets carefully. Because a lack of capital and poor cash flow are typical of Russian businesses, many firms find it expedient to rank potential customers based on their ability to pay. Possible candidates for export sales include:

- Russian enterprises that export for hard currency;
- development projects financed by Western sources;
- Russian enterprises with good domestic cash flow;
- regional governments in natural resource-rich areas;
- the Russian federal government;
- major modernization projects by Russian enterprises;
- the general Russian consumer market; and
- the upscale (albeit narrow) "new Russian" market.

Advertising and Trade Promotion

Advertising through TV, radio, print and billboard media, nine years ago a novelty in Russia, is now ubiquitous in the consumer goods and financial service markets. A number of Western as well as Russian advertising agencies are active here. Russian advertising regulations are not well-developed, however, and most advertising costs are not tax-deductible in Russia as in the West (although draft legislation under consideration in the Duma as of this writing may allow a measure of deductibility for advertising as soon as 2000, if enacted in 1999). Both foreign and domestic firms frequently advertise in commercially-oriented newspapers and journals in Russia. Industry-specific trade journals offer good marketing venues (e.g., Russian-language computer industry magazines). Among the more popular general-interest publications are:

- | | |
|-----------------|-------------------------------------|
| --Deloviy Lyudi | (monthly journal, Russian-language) |
| --Izvestiya | (daily paper, Russian-language) |

--Ekonomika i Zhizn	(weekly paper, Russian-language)
--Business MN	(weekly paper, Russian-language)
--Moscow Times	(daily paper, English-language)
--Moscow Tribune	(daily paper, English-language)
--Moscow Business Guide	(monthly bus. directory, English)
--Delovoi Petersburg	(daily paper, Russian-language)
--St. Petersburg Times	(daily, English-language)
--Sevodnya	(daily paper, Russian-language)

Trade exhibitions, numerous in Moscow and St. Petersburg, and increasingly common in other cities, can help U.S. suppliers find potential buyers and distributors, and are among the best ways for companies initially entering the Russian market to meet a large number of potential customers or partners. U.S. companies sometimes make substantial off-the-floor sales at Russian exhibitions. Representatives of regional governments and state enterprises from remote, poorly-supplied areas of Russia often visit trade exhibitions in major cities to purchase goods for their region or enterprises. A list of major trade exhibitions is found in Chapter XII.

Product Pricing

Price competition in large Russian cities is often muted. The ratio of retail outlets per capita in Moscow or St. Petersburg is a fraction of that in, e.g., Warsaw or Budapest, so that competing stores often are not near enough to one another to offer consumers real choices. Collusion by organized crime is also allegedly a factor. Regional markets are also notable for few alternatives in outlets and weak competition on price among analogous products. While markets for a given import in Moscow or St. Petersburg may boast access to several competing imports and domestic brands, heavy advertising, consumer awareness and widespread price competition, the market for the same product in Novosibirsk or Perm may differ markedly. Weakness of price competition among similar goods does not mean, however, that high-cost items will fare well where lower-quality but cheaper substitutes are available.

After-Sale Service, Training and Customer Support

After-sales service, training and customer support can be a major competitive advantage -- or disadvantage -- for U.S. firms entering the Russian market. Russian manufacturers even today are known in Russia for their almost complete lack of attention to post-sale service. For many lower-cost items, Russian buyers, especially in rural areas, are accustomed to buying more of an item than they need, in order to have a ready supply of spares or parts for do-it-yourself repairs. Similarly, Russian

are keenly interested in training, as their employees may never have used particular products or brands before. U.S. firms able and willing to offer even rudimentary training and support for products, particularly in remote sites, can gain a big advantage over competitors. Conversely, companies not willing to make this commitment may find themselves at a distinct disadvantage to European or Far Eastern companies, whose proximity already affords them advantages in providing training and service.

Selling to the Government

A law on federal procurement, adopted in May 1999, provides that foreign firms may participate in public tenders if the product is not produced in Russia or if Russian production is considered to be economically unprofitable. Regional or local authorities are potential customers for U.S. suppliers. (For example, the federal Health Ministry and some of the more than 90 regional administrations often buy supplies to distribute to hospitals and clinics under their jurisdiction.) While local governments now receive much-reduced federal subsidies, they have more flexibility in making purchasing decisions based on local factors and contacts. Overall, however, Russia's current fiscal situation limits the role of public-sector customers. Some depressed regions are even worse off than the federation government in terms of spending ability.

Taxation

Russian and foreign products alike face a 20-percent Value Added Tax upon sale in Russia (although a lower VAT of 10 percent applies for a few basic food items and children's necessities). Regional or municipal taxes may also apply to transactions for some goods and services, and federal excise taxes are particularly stiff for alcohol and tobacco products.

Companies which move beyond strictly exporting into the realm of direct investment are subject to a wide, rapidly-changing array of taxes at federal and local levels. Russian tax laws and regulations are often ambiguous and inconsistently interpreted by authorities. Western firms are often surprised to learn that many business deductions common to the U.S. or EU do not exist here. With proper documentation, U.S. firms may be eligible for exemption from some Russian taxes on income which is also taxed in the United States, under a bilateral treaty on avoidance of double-taxation. Although foreign firms have successfully appealed tax disputes to the courts, officials have been slow to honor court rulings. Penalties for underpayment can be draconian (often assessed at 100 percent or more of the total tax due), and a company's accounts can be frozen relatively

not differentiate between criminal intent versus honest errors when levying penalties.

Most of Part One of Russia's new four-part tax code was implemented on January 1, 1999. Provisions thus implemented include narrowing the list of permissible types of taxes at various levels (other types of taxes are, by implication, prohibited). Major federal taxes include VAT, excise tax, corporate profits tax, capital tax (essentially on interest and dividends), social benefits fund taxes, customs duties and individual income tax. Permissible regional taxes include corporate property tax, real estate tax, road tax, sales tax, gaming taxes, and regional licensing fees. Permissible local taxes include land tax, individual property tax, advertising tax, inheritance and gift tax, and local licensing fees.

Other significant changes resulting from enacted provisions of part one include some beefing up of taxpayer rights vis-a-vis tax authorities. Taxpayers are now entitled to written clarifications on tax questions from tax authorities, the number of times taxpayers can be audited for the same tax issues is limited, and tax authorities are theoretically liable for losses caused by any wrongdoing on their part. In addition, enacted provisions of part one permit a regional level investment tax credit of from two to five years.

Effective April 1, 1999, Russia's corporate profits tax rate was reduced to 30 percent from 35 percent, a move long called for by many foreign and domestic investors (although the aforementioned lack of deductions results in a high portion of income subject to tax). A more controversial proposal to reduce the more easily collected VAT to 15 percent was vetoed by President Yeltsin amid concern that this would hamstring one of Russia's few effective revenue sources without resulting in any compensating increase in tax compliance.

In 1998-1999, Russia's drive to crack down on tax deadbeats and boost collections under pressure of Russia's budget deficit has spawned numerous anecdotal accounts of what Western firms regard as harassment by federal and local tax inspectors and Russia's Federal Tax Police. Firms are advised to familiarize themselves with Russian tax regulations, and companies with tax questions should seek the counsel of professional tax specialists who are experienced in Russia.

Besides corporate taxes, U.S. businesspersons working in Russia are subject to Russia's personal income tax, depending on the nature of their income and the duration of their work in Russia during a given tax year.

In Russia, commercial regulations are contained in thousands of presidential, governmental and ministerial decrees. Often, these decrees and laws overlap or conflict. Determining tax obligations is a tedious task. Russian accounting rules differ markedly from Western standards, and while the Russian Government has made conversion to International Accounting Standards a priority, the process is at an early stage. U.S. firms should use experienced, locally-based (Western or Russian) specialists familiar with issues faced by Western firms operating in Russia. The Commercial Sections at the U.S. Embassy and consulates maintain and can make available upon request lists of local attorneys and accounting firms.

While professional services in Russia are expensive, companies which shun this investment from the outset of their work here do so at their own peril. In Russia's commercial arena, when tax and legal problems are concerned, an ounce of prevention can be worth a pound of cure. Seeking seasoned advice early on can save both aggravation and money down the road.

V. LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT

As of mid-1998, U.S. exports to Russia were up 25 percent and on pace toward \$4.2 billion. With the autumn 1998 freeze-up of payments in the Russian banking system, and with the lower purchasing power of the ruble, U.S. exports to Russia finished the year at \$3.6 billion, still a record high. During the first quarter of 1999, American exports to Russia were down 65% from the first quarter of 1998, a clear reflection of lower purchasing power as well as the reluctance of many Western banks to accept letters of credit or to extend other types of financing here. Lately, however, while purchasing power remains down, the ruble has steadied, banks have once more begun processing payments reliably, and Russian export earnings are up, paving the way for a slow recovery of U.S. exports to Russia in the second half of 1999.

Best Prospects for Non-Agricultural Goods and Services

After decades of separation from world markets, Russia today is a tremendous potential market for most U.S. goods and services. Demand has emerged in waves. First, in the early 1990s, came demand for U.S. food products, which has remained strong. Strong demand for U.S. consumer products followed. 1995 saw a surge in demand for construction materials, hotel and restaurant equipment, and furniture. With a resumption of economic growth, there should be renewed demand for U.S.-made equipment and

and gas, mining, timber), and in information technology (computers, software and telecommunications).

Over the next decade, as restructured Russian industries gain financial health, Russia will become a good market for U.S. industrial equipment and components, particularly food processing equipment and industrial process controls. Once market access and financing issues are resolved, Russia promises to become a major market for U.S. aircraft, components and avionics, as well as autos in niche markets.

It is important to note that many industrial goods produced by Russian companies and sold on the domestic market are sold not for cash, but in countertrade or debt-swap transactions. This greatly detracts from the reliability of estimates of total market size for products of Russian industry.

--1. Oil and Gas Equipment and Services (OGM, OGS)

(HS categories 381510, 382490, 7304291055, 7304296000, 7304216000, 7304213000, 7304295000, 7304293055, 8413500010, 8413600050, 842519, 8426, 843010, 8430498020, 8430498010, 8431, 843143, 843149)

Oil and gas field machinery and chemicals as well as oil and gas production and exploration services maintain first place among U.S. exports to Russia. Russia's oil industry is still burdened by the cash squeeze from last year's low oil prices and heavy debts, which keeps expenditure on new equipment and services from rising higher. Russian managers accept that structural and technological modernization to maximize efficiency cannot occur without external borrowing, and show a preference for Western-made equipment over local equipment of generally lower performance. When servicing and maintenance costs are taken into account it turns out that many lower-priced domestic analogues can hardly compete. Russian oil industry experts anticipate that major oil development projects (in the Sakhalin, Tyumen, and Timan-Pechora areas) under Production Sharing Agreement (PSA) terms will proceed during the next 2 - 3 years, providing funds and catalyzing technological upgrades for industry on a large scale. Meanwhile, Russia's oil and gas transport giants, Transneft and Gazprom, are also pursuing important multimillion-dollar export pipeline projects with clear opportunities for U.S. financial and engineering services.

(US\$ millions)	1997 actual	1998 actual	1999 estimate
A. Total Market Size	1,2001,2201,270		
B. Total Local Production	865	870	900
C. Total Exports	115	120	150
D. Total Imports	450	470	520
E. Total Imports from U.S.	260	270	300

NOTE: The above figures are based on Russian Customs and U.S. Department of Commerce data and unofficial estimates. The above

table does not include data on Gazprom's share in equipment procurement.

--2. Telecommunications Equipment and Services (TEL, TES)

The telecom sector provided some of Russia's best prospects for U.S. companies. Underlying this is tremendous pent-up demand for service. Russian telecommunications suffer from a lack of installed lines, outmoded switchgear and inadequate investment. Only 15 percent of local access lines are digital. Teledensity (access lines per capita) is very low (average 19 lines per 100 people compared to 63 lines in the U.S.); and seven percent of the population is still on the waiting list for basic service. Cellular phone density is 0.3 per hundred (versus 24 per hundred in the U.S.)

Since August 1998, the number of subscribers for commercial telephone services has grown at an annual rate of 7-10 percent, albeit more slowly than 1997's 25 percent rate. In 1998, 8,000 kilometers of frame relay and 7,300 kilometers of cable transmission lines were laid, 12 digital exchanges installed, 50,000 new lines added in cities and 100,000 in the countryside, and 160,000 mobile phone numbers brought on-line.

Hard economic times have brought pressure on profit margins, as commercial operators were forced to cut fees by 10-15 percent, even as the fees these operators must pay for access to local and long distance lines increased. Most paging and cellular operators and Internet access providers implemented "anti-crisis programs" with reduced fees. Telecom firms also face regulatory hurdles including a slow and expensive equipment certification process; confusing licensing procedures for provision of services; and inadequate access to the frequency spectrum.

Despite a steep drop in investment in the months following the crisis, international equipment and services providers are now seeing renewed demand, particularly in sectors such as wireless applications, and partnerships between Russian and foreign companies are continuing to form. Since 1997, the Government has been attempting to privatize the existing phone industry through the sale of its national holding company, Svyazinvest, which controls local phone companies. Unfortunately, after the sale of 25 percent in July 1997, the sale of a second 25 percent stake was delayed by the 1998 crisis. Meanwhile, new private companies with international participation are developing facilities and services in expanding city markets and underserved remote areas.

(US\$ millions)	1997	1998	1999
		actual	actual estimate

A. Total Market Size	n/a	n/a	n/a
B. Total Local Production	n/a	n/a	n/a
C. Total Exports	114	96	105
D. Total Imports	1,400	1,200	1,220
E. Total Imports from U.S.	340	290	300

NOTE: The above figures are based on Russian Customs and U.S. Department of Commerce data and unofficial estimates.

--3. Electric Power Generation Equipment and Services (ELP)

(HS categories 8411, 8402, 840310, 8412, 8501, 8502, 8504, 8535, 8537, 8538, 854460)

Russia's government has attempted with limited success to introduce competition among power-generating firms through a new system of payments for electricity from the national grid. The national electric power holding company, Unified Energy Systems (UES), continues to face difficulty in increasing liquidity, by persuading its customers to pay for electricity in cash and on time. U.S. companies are focusing their sales efforts on power enterprises on Russia's periphery, which can generate export revenues, as well as independent operators such as Irkutskenergo (not affiliated with UES). If individual producers can secure rights to compete on price, to halt service to non-paying customers, and to retain their earnings, then significant investment should follow, with consequent opportunities for U.S. equipment suppliers

(US\$ millions)	1997 actual	1998 actual	1999 estimate
A. Total Market Size	n/a	n/a	n/a
B. Total Local Production	n/a	n/a	n/a
C. Total Exports	78	89	95
D. Total Imports	380	450	430
E. Total Imports from U.S.	90	95	110

NOTE: The above figures are based on Russian Customs and U.S. Department of Commerce data and unofficial estimates. Due to widespread reliance by Russian power-generating enterprises on barter or debt offsets as payment for capital improvements, estimates are difficult to compile with accuracy, since barter or offset valuations may not accord with cash market value.

--4. Computers, Peripherals and Components (CPT, BUS, ELC)

Although the Russian computer and peripherals market was hit like others by the 1998 financial crisis, it represents a significant market for U.S. exporters and has solid potential to grow. Industry sources estimate the market at \$65 million. U.S. computers and components exports to Russia in 1998 were

Russia for moderately priced PCs with installed Russian-language software; hardware components (sales of locally assembled PCs sales are up significantly); high-performance computers; Year 2000 problem solutions; and the SOHO (small office/home office) market. U.S. firms dominate markets for printers. Laptops have found a small niche that will grow as small business develops. Overall Russian economic performance along with intellectual property law enforcement will determine the pace of revival of the local market.

(US\$ millions)	1997 actual	1998 actual	1999 estimate
A. Total Market Size	65	72	75
B. Total Local Production	20	25	25
C. Total Exports	5	5	6
D. Total Imports	40	42	43
E. Total Imports from U.S. ³⁵		33	32

NOTE: The above figures are based on Russian Customs and U.S. Department of Commerce data and unofficial estimates.

--5. Construction and Mining Equipment (MIN, CON)

(HS categories 8207, 8429, 8430, 8431, 8474)

Mining Equipment: Western financing is a key for continuing to upgrade profitable or potentially-profitable Russian coal mines. Vast opportunities exist in Russia's quickly developing ore, diamond and precious metal mining. There are good opportunities for long-wall equipment, drag-line buckets, conveyor loaders, and excavators for open-pit as well as mine applications in the coal and metal mining industries.

(US\$ millions)	1997 actual	1998 actual	1999 estimate
A. Total Market Size	n/a	n/a	n/a
B. Total Local Production	n/a	n/a	n/a
C. Total Exports	78	89	95
D. Total Imports	430	450	470
E. Total Imports from U.S.	170	190	210

NOTE: The above figures are based on Russian Customs and U.S. Department of Commerce data and unofficial estimates.

Construction Equipment: The 1998 economic crisis reduced imports of construction equipment by 20 percent and resulted in an average ruble price rise of 55 percent compared to 1997. However, the crisis stimulated sales of domestic construction equipment, which are expected to rise by 8-15 percent, according to various sources. Despite the cost advantage, the

Therefore, it is likely that Russia will turn to establishing joint ventures with Western manufacturers with a view toward acquiring Western technologies and management practices. This could provide significant opportunities for U.S. manufacturers of construction equipment. For now, European (especially Scandinavian, German and Turkish) companies dominate the Russian construction equipment and service market.

	1997 actual	1998 actual	1999 estimate
A. Total Market Size	n/a	n/a	n/a
B. Total Local Production	n/a	n/a	n/a
C. Total Exports	180.31	37.6n/a	
D. Total Imports	709.44	15.2n/a	
E. Total Imports from U.S.	197.81	47.2n/a	

NOTE: The above figures are based on Russian Customs and U.S. Department of Commerce data and unofficial estimates.

--6. Autos, Light Trucks and Buses (AUT, APS)

In recent years Russia's auto industry has grown at a seven percent annual rate. However, Russian car factories remain badly affected by the non-payment crisis, and lack capital for modernization. In 1998, President Yeltsin issued a decree allowing tax breaks and financial incentives for joint production projects in the auto industry which attract a minimum investment of \$250 million from a foreign partner. As a result, major Russian producers began seeking joint ventures to assemble competitive cars. Sales of imported Western cars totaled 130,000 in 1997. While the 1998 devaluation seriously undermined sales of foreign models, Renault started a much-publicized joint venture with Moscow-based Moskvich factory; GM has signed an agreement for local production of Opel with VAZ, a major Russian manufacturer; Ford has agreed on a \$150 million production investment near St. Petersburg; and other major Western manufacturers are at various stages of talks with Russian car plants. A chief advantage of production in Russia would be immunity from Russian duties, which are a serious impediment to imports. Still, foreign-built cars remain popular due to quality and design considerations.

The most popular products in the aftermarket area include car security systems, car care products, service equipment, and equipment for pollution control. With 2.5 million imported cars in use (over half of which are five or more years old), there is steady demand for spare parts. Given bad weather conditions, poor roads, and high wear of cars, the demand for anti-corrosion nastes and shock absorbers will continue to rise. As prices for

new imported components are very high, there may be a growing market for reconditioned parts.

As the number of cars in Russian cities increases, authorities have become more concerned about the environmental impact. Since 1988, the number of cars in Moscow increased from 600,000 to over 2.5 million. Introduction and obligatory installation of catalytic converters is being discussed as a necessary step. If and when such a requirement is enacted, opportunities for companies that manufacture catalytic systems could be huge. Another opportunity comes from the recent decision to convert municipal transport from petrol to gas fuel. This transition will be gradual but will involve installation of gas fuel systems on nearly 200,000 vehicles.

Overall low car ownership (110 cars per 1000 residents) forces 85 percent of the population to rely on public transportation -- mainly buses, the fleet of which numbers nearly 350,000. With the gradually growing number of small private companies, demand for light trucks, minivans and sport-utility vehicles has grown. The share of foreign freight companies in the domestic transport market has risen from 25 percent in 1990 to 75 percent in 1998.

US\$ millions	1997 actual	1998 actual	1999 estimate
A. Total Market Size	19,300	17,500	16,200
B. Total Local Production	1.3	1.2	1.2
C. Local Production (tires)	24.7	27.2	30.0
D. Total Exports	133.9	118.9	n/a
E. Total Imports	900.0	1,250	n/a
F. Total Imports from U.S	34.0	29.0	n/a

NOTE: The above figures are based on Russian Customs and U.S. Department of Commerce data and unofficial estimates. Significant numbers of cars are imported into Russia bypassing customs, thus making precise estimates problematic.

--7. Aircraft and Airport Equipment (AIR, APG)

Demand for aviation products and services has stabilized in Russia, and many American companies are working with Russian partners on joint projects ranging from supply of fasteners and avionics to joint production of jet engines. In 1998, Russia ranked 14th in the world for U.S. aerospace exports. Russian airspace is now increasingly available to foreign airlines as Russia upgrades its air traffic control systems.

A 30 percent tariff makes importing aircraft prohibitive unless

which links tariff waivers for Russian airlines' purchases of foreign aircraft to these airlines' purchase of Russian planes. A recent decree subordinating the aviation industry to the Russian Space Agency is also seen as an attempt to spur production by creating consolidated design and production centers.

In the next decade, however, there seem few alternatives to large purchases of imported commercial aircraft by Russian airlines, despite the likelihood that the Ilyushin-96 aircraft will move into production, now that it has received FAA certification. In 1998, Russia had just over 8,000 registered civil aircraft, but many are aging. To satisfy internal demand the Russian aviation industry must produce and/or import approximately 30-40 aircraft annually.

Demand for airport equipment continues to be steady, and should greatly benefit from prospective legal changes in property rights and taxation. A Federal program on upgrading major airports offers commercial opportunities to U.S. firms, especially in the field of construction and airport security. Russian airports are gradually realizing the necessity of supplementing their take-off/landing fees with revenues from commercial use of airport facilities. This, in turn, offers good opportunities for U.S. service-oriented firms.

US\$ millions)	1997	1998	1999
	actual	actual	estimate
A. Total Market Size	1,300	1,100	1,000
B. Total Local Production	18	7	12
(large civilian aircraft)			
C. Total Exports	550	500	n/a
D. Total Imports	314	350	n/a
E. Total Imports from U.S.	37	45	n/a

NOTE: The above figures are based on Russian Customs and U.S. Department of Commerce data and unofficial estimates. Significant discrepancies exist between U.S. and Russian aircraft trade data, mainly due to differing treatment of leased planes, which Russian data do not count as imports.

--8. Agricultural Machinery (AGM)

Russia's need for farm machinery is potentially very large, but real demand is depressed by the weak financial condition of Russia's farm sector. Russia now produces less than half as much farm equipment as in 1992, and imports are estimated to have fallen by almost two-thirds in 1998. Equipment shortages are now threatening overall agriculture production levels, according to the U.S. Agriculture Department. In spring 1999,

and 1,400 disk harrows, according to an authoritative Russian industry association. For the 1999 harvest, one survey predicts a shortage of 160,000 (40%) in combine harvesters.

Despite these needs, effective demand for domestic or imported farm machinery will be limited unless new sources of financing are found. Some import sales will be made to the few solvent buyers available or to those who receive help from regional governments. Large sales, however, will probably be possible only for sellers able to provide financing and support systems for purchasers that go substantially beyond simple direct sales, or who are willing to accept barter payments. Some major U.S. companies have proposed comprehensive equipment, financing and service projects, which could dramatically increase farm machinery imports to Russia. However, these companies will only be able to implement small pilot projects, unless large export credit guarantees are available from such sources as the U.S. Export-Import Bank.

Sales to specialized and market agriculture companies may also provide some opportunities where financially healthy Russian companies are trying to expand to satisfy greater local demand spurred by higher prices of imported food. For example, increased sales may be possible in the areas of greenhouse equipment and swine and poultry production.

(US\$ millions)	1997	1998	1999
	actual	actual	estimate
A. Total Market	282	165	178
B. Total Local Production	117	70	80
C. Total Exports	16	10	12
D. Total Import	181	105	110
E. Total Imports from U.S.	21	19	20

NOTE: The above figures are based on Russian Customs and U.S. Department of Commerce data and unofficial estimates.

--9. Medical Equipment and Pharmaceuticals (MED, DRG, DNT)

Pharmaceuticals: The 1998 ruble depreciation led to a 4-fold increase in prices of imported pharmaceuticals. Despite this, imports continued to occupy 58% of Russia's drug market in 1998 (compared to 60% in 1997). After the crisis, prices for locally produced pharmaceuticals only doubled, but local production was stagnant. In 1998, most pharmaceutical imports came from Western Europe (over 60%), Eastern Europe (27%), and Asia (8%). The U.S. share of Russia's drug imports ranged from 1.5% to 7% in 1998. In 1999 so far, the market has been shrinking, and by year's end it may reach only half of 1998 sales. Nevertheless, few major Western companies have left the market, and most expect the situation to improve in the mid- and long-term. Several U.S. pharmaceutical firms, (e.g., Bristol-Myers Squibb, SmithKline Beecham) have successful joint venture production

Pharmaceutical manufacturers such as Pfizer, Eli Lilly, SmithKline Beecham, Schering-Plough and Wyeth-Lederle remain major exporters to Russia. Top prospects include insulins, cardiovascular drugs, hormonal drugs, antibiotics, analgesics, vitamins, and psychotropic drugs.

(US\$ millions)	1997	1998	1999
	actual	actual	estimate
A. Total market	3,300	2,700	1,800
B. Total Local Production	1,270	1,120	940
C. Total Exports	77	64	40
D. Total Imports	2,078	1,644	900
E. Total Imports from U.S.	32	27	20

NOTE: The above figures are based on Russian Customs and U.S. Department of Commerce data and unofficial estimates.

Medical Equipment: Russia's medical device market is estimated at \$600 million for 1999. In 1998, local production supplied only 24% of the total market. This is expected to pick up slightly in the next two years, but imports will continue to be significant. Financing is a hurdle for most foreign medical device firms selling in Russia. In previous years, regional governments sought high-tech capital equipment to modernize local hospitals; but in 1999, with further cuts in federal and local healthcare budgets, such purchases have been reduced. However, hospitals continue to buy smaller devices and supplies in significant quantities. World Bank loans are financing some hospital modernizations. Subsectors such as dental equipment and supplies are highly dependent on imports, as local products cover only 20% of demand. Best potential for sales is in clinical lab equipment and test kits, dental equipment and supplies, and equipment for diagnostic imaging, radiology, instrument sterilization, and home health care.

(US\$ millions)	1997	1998	1999
	actual	actual	estimate
A. Total market	1,038	800	600
B. Total Local Production	270	228	200
C. Total Exports	19	18	10
D. Total Imports	787	590	410
E. Total Imports from U.S.	100	60	50

NOTE: The above figures are based on Russian Customs and U.S. Department of Commerce data and unofficial estimates.

--10. Food Processing and Packaging Equipment (FPP, PKG)

A decline in food imports is stimulating production by Russian food companies, who are in turn upgrading or expanding their facilities. This appears to be driving demand for all ranges of food processing and packaging equipment, including both small-scale, inexpensive machines for farmers, local processors, food wholesalers and supermarkets as well as more sophisticated high-tech equipment for large food processors. Although some demand is driven by new investments of Western food firms in Russian facilities (e.g., Pepsico, McDonald's, Mars/Masterfoods, Nestle, Coca-Cola, Wrigley and others), Russian firms are also replacing aged machinery and equipment to improve production and competitiveness. In spite of the crisis, most foreign machinery suppliers stayed in the market as evidenced by participation at Russian trade exhibitions. Promising subsectors include milling, refining, extracting, and canning equipment, cold-storage and transportation equipment, and machinery to produce baby food, dairy and meat products, frozen foods, soft drinks and beer.

(US\$ millions)	1997 actual	1998 actual	1999 estimate
A. Total Market Size	697	405	480
B. Total Local Production	110	93	100
C. Total Exports	34	8	10
D. Total Imports	621	320	390
E. Total Imports from U.S.	33	14	14

NOTE: The above figures are based on Russian Customs and U.S. Department of Commerce data and unofficial estimates.

--11. Cosmetics and Beauty Products (COS)

Industry sources see substantial potential for U.S. cosmetic products in the Russian market. 1998 imports of perfumery and cosmetics from the U.S. were estimated at \$22 million. Russia's retail health and beauty products market is estimated at up to \$3 billion. Since mid-1998, imports have slowed and domestic firms' market share has been increasing.

In the retail hair and skin care products market, competition is tight: the quality of local hair care products is now comparable to foreign brands, and domestic skin care products are much-improved, though not on a par. Locally-made make-up, on the other hand, is low and cannot compete in terms of quality with well-known foreign labels. In any case, to produce quality products, local manufacturers must import certain ingredients unavailable in Russia in sufficient quality or volume.

Equipment for the cosmetic industry also has to be imported, as there are no manufacturers in Russia. Another major need is packaging -- most cosmetics packaging today is imported from Italy, Germany and Poland. U.S. companies selling these

The beauty service industry (hairdresser shops, beauty salons, etc.), also presents opportunities for U.S. companies. Russia's professional beauty market has become larger and more sophisticated during last 5-6 years, as reflected in the number of salons opened and in higher quality of equipment installed, more modern salon design, better-trained personnel, and broader use of exclusive brands. Despite the crisis, professional beauty operators are continuing to develop strongly, relying almost exclusively on imported cosmetics. American professional hair, skin and nail care products, and equipment have good prospects on the market, and professionals in Russia are interested now in getting more information about American-manufactured beauty products.

(US\$ millions)	1997 actual	1998 actual	1999 estimate
A. Total Market Size	3100	2500	2400
B. Total Local Production	n/a	n/a	n/a
C. Total Exports	32.4	19,4	n/a
D. Total Imports	636.24	59.14	00.0
E. Total Imports from U.S.	35.6	22.1	20.0

NOTE: The above figures are based on Russian Customs and U.S. Department of Commerce data and unofficial estimates.

Agricultural Best Prospects

In fiscal year 1998, U.S. food and agricultural exports to Russia topped \$1.1 billion despite the drop in exports after the August 1998 crisis. In the aftermath of the ruble depreciation U.S. exports of food products to Russia were down nearly 80 percent (to \$137 million) in the October 1998 - March 1999 period compared with the same 6-month period in 1997-1998 (\$647 million). We believe the following product groupings or products retain the best market potential based on Russian import and consumer buying trends: poultry, beef, pork, fresh fruits and vegetables, processed (and dried) fruits and vegetables, fish and seafood items, instant soups, wheat and wheat flour, soybeans and soymeal, animal feeds, tree nuts and pet foods. These U.S. products have done well in the Russian market in the past and have met with acceptance by both intermediate processors and Russian consumers.

Financial and credit considerations are of paramount importance, as is the fundamental need to carefully assess the capability of the Russian importer to purchase and distribute product. "Due diligence" will take on added significance as U.S. exporters seek to resume trade and commercial relations with their

Title 1, credit under the auspices of the U.S. Food Assistance Package will result in significant increases in the export of those bulk commodities which had declined dramatically since the early 1990s.

One outcome of the economic crisis has been a growing interest in domestic production and products on the part of some Russian food importers and distributors. This, in turn, has led to resumption of processing at once-idle Russian plants, and increases in output at other processing facilities. As Russian product has become more competitive, primarily due to a much devalued ruble, this tendency is likely to continue with a resulting negative impact on the sales of certain U.S. processed food items in the Russian market.

--1. Corn (Feed)

The slowly recovering poultry and livestock industries will require quality feed if the Russian producers are to compete with the quality of Western imported products. The current dominant market share enjoyed by U.S. exporters should be the basis for continued expansion of U.S. feed grain exports, particularly in the Russian Far East or other regional markets. If restored, increased utilization of GSM or other USDA credit facilities could improve access to credit for Russian buyers and support expanded U.S. exports.

(US\$ millions)	1997 actual	1998 actual	1999 estimate
A. Total Market Size	2,920	895	2,020
B. Total Local Production	2,670	820	1,500
C. Total Exports	0	5	0
D. Total Imports	250	80	520
E. Imports From U.S.	120	1	520

NOTE: The above figures are based on Russian Customs and U.S. Department of Agriculture data and unofficial estimates.

--2. Poultry

U.S. poultry has the major share of Russia's import poultry market at 78%. Although U.S. poultry exports have grown at record levels, a number of factors will negatively impact the rate of growth that U.S. exporters have benefitted from in recent years. Most significantly, the economic crisis in Russia dramatically curbed consumer spending. Secondly, the Russian government has shown interest in measures to protect and encourage domestic poultry production (as evidenced when poultry was excluded from a list of agricultural products for which Russia lowered import tariffs in October 1998).

	actual	actual	estimate
A. Total Market Size	1870	1460	1220
B. Total Local Production	630	640	720
C. Total Exports	15	15	15
D. Total Imports	1240	820	500
E. Imports From The U.S.	950	640	375

NOTE: The above figures are based on Russian Customs and U.S. Department of Agriculture data and unofficial estimates.

--3. Pork

U.S. pork exports continue to do well despite stringent Russian certification requirements. The current EU food aid package includes 100 thousand tons of pork products which may hinder U.S. export opportunities. However, under normal trade conditions, the high cost of EU product makes U.S. product more competitive despite longer transit time for deliveries. The combination of the current economic crisis, lower consumer spending, and measures taken by the GOR to encourage more domestic processing mean that the best export opportunities in 1999 will mainly consist of unprocessed and semi-processed items for further processing. Fresh pork market sales will be targeted to retail stores, restaurants, hotels and other food service providers. Cancellation of the GSM 102 and lack of a Supplier Credit program will put U.S. exporters at a disadvantage when U.S. pork prices are high. Pork sales should be targeted to major cities and regions where incomes are high and where there is greater market diversification, especially in light of the current economic situation.

(US\$ millions)	1997 actual	1998 actual	1999 estimate
A. Total Market Size	2014	1810	1735
B. Total Local Production	1570	1510	1385
C. Total Exports	1	1	1
D. Total Imports	450	300	350
E. Imports From the U.S.	40	60	80

NOTE: The above figures are based on Russian Customs and U.S. Department of Agriculture data and unofficial estimates.

--4. Wheat Flour

Rising demand in the Russian Far East should boost U.S. wheat exports. The RFE will be an especially strong market for wheat flour because it lacks both crop acreage and milling capacity and because of its relative proximity to America. U.S. wheat flour exports should grow at 3%, slightly above the total growth rate for all Russian wheat flour imports. The projected value

(US\$ millions)	1997 actual	1998 actual	1999 estimate
A. Total Market Size	11,235	11,320	11,230
B. Total Local Production	10,900	11,200	11,300
C. Total Exports	55	95	120
D. Total Imports	390	215	50
E. Imports From U.S.	40	20	20

NOTE: The above figures are based on Russian Customs and U.S. Department of Agriculture data and unofficial estimates.

--5. Beef

The U.S. share of the Russian beef import market is 10.0 percent. U.S. imports of processed meat products have grown steadily in the Russian marketplace. In contrast, the market position of unprocessed and semi-processed product appears to be worsening, declining from 1.6 percent in 1997 to 0.31 percent in 1998. The EU food aid package includes 150 thousand tons of beef that may serve as a market hindrance for U.S. exports. However, with concerns about the quality of European beef, the high image that U.S. beef enjoys provides a strategic opportunity for U.S. beef exporters to increase market share in the long term. The major supplier of beef is Ukraine with more than three-fourths of the market. It is possible that the economic crisis will increase opportunity for the import of meats for further processing, as normal trade patterns have been disrupted. Strategic marketing will help maintain current market share in 1999; and opportunity for long term growth of U.S. meat exports to Russia exists. With increased awareness on the part of U.S. exporters and Russian importers, U.S. market share is projected be maintained in 1999, and grow by 10% annually to 2003.

(US\$ millions)	1997 actual	1998 actual	1999 estimate
A. Total Market Size	2900	2500	2310
B. Total Local Production	2260	2090	1910
C. Total Exports	5	5	5
D. Total Imports	660	410	400
E. Imports From U.S.	6	7	6

NOTE: The above figures are based on Russian Customs and U.S. Department of Agriculture data and unofficial estimates.

--6. Seafood

The Russian import market for seafood expanded rapidly until the 1998 economic crisis. Based on 1996-1997 Russian Customs data,

market share is negligible, mostly fresh, chilled or frozen fish. Despite lower consumer spending in Russia, expensive fish items are marketed to hotels, restaurants, and supermarkets targeting foreigners and wealthy Russians who 1) can still afford these items; and 2) prefer high quality imported fish products. Most U.S. product in the marketplace is of high quality and very expensive. When normal trade patterns resume, there could be significant growth for a range of processed seafood products including canned, pickled, bottled or smoked items. There is little product in the low to mid-price range that offers growth potential for U.S. exporters. Canned products are especially popular in Russia as they provide longer shelf-life and are easier to handle and store. In recent years, U.S. processed crabs and crab meat have appeared in Russia and have done quite well. French and Scandinavian firms have large market shares, a wide and interesting assortment of products, and aggressive marketing.

(US\$ millions)	1997 actual	1998 actual	1999 estimate
X. Landing/Comm'l Catch	4400	4200	4300
A. Total Market Size	3850	3600	3400
B. Total Local Production	3200	3200	3100
C. Total Exports	2300	2500	2500
D. Total Imports	615	400	340
E. Imports From U.S.	5	4	5

NOTE: The above figures are based on Russian Customs and U.S. Department of Agriculture data and unofficial estimates.

VI. TRADE REGULATIONS AND STANDARDS

Trade Barriers

Since 1996, Russia's import duties (on a trade-weighted basis) have averaged around 14 percent. A three-percentage point tariff surcharge on all imports dating from July 1998 was revoked effective March 1, 1999. Products for which Russian import duties are particular obstacles include automobiles (where calculation based on engine displacement disadvantages many larger U.S. vehicles) and aircraft.

Besides tariffs, there are two other types of charges applied to imports: excise tax and value-added-tax (VAT). Excise tax applies to a number of luxury goods, alcohol, cigarettes and autos, and varies from 20 percent to 570 percent on a price-exclusive basis. The VAT rate is now 20 percent, with the exception of foodstuffs (for which VAT is 10 percent), and is applied to the import price plus tariff plus excise tax.

Customs Valuation

Customs duties are payable on the customs value of goods in hard currency or rubles at the current exchange rate. The customs value is generally considered to be the CIF price of the goods imported. A customs processing fee of 0.15 percent of the goods' actual cost is also levied. According to customs regulations, customs processing should take no longer than one month. If goods are refused by Russian Customs, regulations call for their return to the country of origin.

Import Licenses

Import licenses are required for importation of various goods, including ethyl alcohol and vodka, 14-, 21- and 25-inch color TVs, combat and sporting weapons, self-defense articles, explosives, military and ciphering equipment, radioactive materials and waste including uranium, strong poisons and narcotics, and precious metals, alloys and stones. Import licenses are issued by the Russian Ministry of Trade or its regional branches, and controlled by the State Customs Committee. Licenses for sporting weapons and self-defense articles are issued by the Interior Ministry.

Russian Export Controls

Weapons, military equipment and dual-use materials and technology continue to require Russian export licenses if sold from Russia. Oil exports are controlled through the Ministry of Fuels and Energy's granting of access to export pipelines.

United States Export Controls

Certain high-technology or dual-use (civilian and military) products, such as weapons, high-speed computers and other goods, are subject to United States Government export restrictions, possibly including requirements for pre-license checks and/or post-shipment verifications. The United States has banned U.S. exports to ten Russian enterprises suspected of collaboration with Iran in development of ballistic missile and/or nuclear weapons capabilities. Exporters with questions are advised to contact the Export Counselling Division of the U.S. Department of Commerce's Bureau of Export Administration (see Chapter XI for contact information) for guidance.

Import/Export Documentation

Importers are required to complete a Russian customs freight declaration for every item imported. Certificates of origin and

export declaration and, if necessary, present the appropriate export license at customs. In addition, currency control authorities require issuance of a "passport" for both exports and imports to ensure that hard currency earnings are remitted to Russia and transfers of hard currency payments for imports are for goods actually received and properly valued.

Temporary Entry

Temporary imports by foreign companies which are accredited with Russian government authorities are exempt from customs duties. This applies to goods imported only for company use and for one year only. Companies not accredited with Russian government authorities are charged 3 percent of the total cost of the product on a monthly basis. In this case, total cost equals original product price plus all import taxes.

Product Standards

Many products imported for sale into the Russian Federation are required to have a certificate of conformity issued by the Russian State Standards Committee (Gosstandart). GOSSTANDART tests and certifies products according to Russian Government standards, rather than other widely-accepted international standards (e.g., the ISO-9000 system). GOSSTANDART and its authorized agents are the chief sources for certification in Russia. However, other agencies are involved in certification of certain products, including the Ministry of Agriculture (food products), the Ministry of Health (medical devices and pharmaceuticals), the State Communications Committee (telecommunications equipment and services), the State Mining and Industrial Inspectorate GOSGORTECHNADZOR (equipment for the mining, oil and gas industries) and others.

Testing protocols from the IECEE (electrical equipment) and the IECQ (electrical components), both of which fall under the International Electrotechnical Commission, from Underwriters Laboratories, and from other bodies are accepted by GOSSTANDART and help to expedite certification by the Russian agency. The certificate of conformity is valid for 3 years and must accompany every shipment. Copies of the certificate are acceptable if original seals of the U.S. company holding the original certificate accompany the copy. Russian retailers are obliged to have on hand certificates for all imported products sold in their stores; violation of this requirement can bring penalties of up to the equivalent of \$10,000.

Product Labeling

New regulations on labeling for non-food products came into

which took effect previously. Companies are advised to check their compliance with these requirements before shipping products. Regulations can be obtained from Gosstandart (see contact information in Chapter XI).

Free Trade Zones/Warehouses

There are no actual free trade zones in Russia. There are some free economic zones designed to encourage investments in specific areas, as well as free customs zones and free warehouses. Federal legislation on the development of free economic zones (FEZs) is no longer a Russian priority, despite the periodic resurfacing of draft bills. In 1997, a bill attempting to unify tax holidays and other concessions for FEZs across Russia passed parliament only to be vetoed by the president. Previously-established FEZs, including the high profile Kaliningrad FEZ, have generated little new investment.

More recently, with the onset of the financial crisis and the government's emphasis on improving revenue collection, the concept of FEZs has been criticized as a threat to federal budget revenues. The government has turned to the model of smaller-scale, more controlled, "free customs warehouses" as a possible alternative, as in the case of the 1998 Automobile Industry Decree (#135). Customs duties do not apply in free customs zones and free warehouses. Some production and wholesale transactions can take place within these zones, but not retail sales. The storage period is not limited. Free customs zones and free warehouses are located in customs areas (airports, seaports, railway and truck terminals) and, according to Decree 135, selected automobile factories.

Membership in Free Trade Arrangements

Russia currently participates in a free trade arrangement with the CIS. Russia has an association agreement with the European Union (effective December 1997), proposes to join the World Trade Organization, and currently receives MFN treatment and GSP status from the United States. A customs union with Belarus, Kazakhstan, Kyrgyzstan and Tajikistan has been formed on paper, but is not currently operational.

VII. INVESTMENT CLIMATE

While there has been a gradual revival in economic activity since 1998, and some new foreign investment initiatives in key industrial sectors, most foreign direct investors are concentrating on consolidating their positions to limit their

policy. Nevertheless, the government continues to work toward creation of a more favorable investment climate.

Openness to Foreign Investment

Throughout the 1990s, the Russian Government has placed high priority on the attraction of foreign direct investment, and 45 regions have also developed laws and programs to attract it. To date, these efforts have focused on tax incentives for large investment projects, a new Russian development bank, and guarantees for new investments, all of which are hamstrung by lack of funds. Investment promotion is hampered most by several factors affecting the commercial climate. First, many legal underpinnings of a modern market economy remain to be firmly established. New laws and revisions of existing laws that affect costs and conditions continue to be introduced frequently. Second, relatively high incidences of unfair or non-transparent business and tax practices dissuade investors. Third, it is unlikely that most investments will show strong profits in the short term, given the current weakness of Russia's economy. Finally, financing remains scarce.

The 1991 investment code guarantees foreign investors rights equal to those enjoyed by Russian investors. This law was amended by new legislation effective July 9, 1999, and includes a grandfather clause protecting certain investments from unfavorable changes in tax and other laws for up to seven years. However, it also widens somewhat the legal criteria for restricting foreign investment in some sectors.

There have been relatively few explicit restrictions on foreign direct investment in Russia, but domestic pressures for restrictions in specific sectors are growing. A 1998 law on the aerospace industry limits foreign ownership to 25 percent of an enterprise. Foreign ownership in the natural gas monopoly Gazprom is technically limited to twenty percent, although use of joint ventures to purchase additional shares has allowed Gazprom to pursue its strategic partnership with the German company Ruhrgas without legal problem. Foreign investors are limited to a 49 percent share in insurance companies, and a proposed law would limit overall foreign capital in the insurance industry to 15 percent. A 1998 law limits foreign investment in the electric power giant Unified Energy Systems to 25 percent or less; however, it has not been enforced to date, and foreign holdings in UES are believed to exceed 28 percent. The Russian parliament has also been discussing a law which would explicitly restrict or prohibit investment in a number of sectors (it would follow passage of the revisions to the foreign investment law).

Current law limits foreign bank capital to 12 percent of total banking capital. Last year's financial crisis devastated Russian banking capital and, as a consequence, foreign capital approached the 12 percent ceiling in mid-1999. In response, Central Bank Chairman Viktor Gershchenko has indicated that the government is exploring the introduction of legislation that would raise the ceiling or otherwise facilitate additional foreign capital inflow into Russian banks.

Prior approval is required for investment in new enterprises using assets of existing Russian enterprises, foreign investment in defense industries (which may be prohibited in some cases), investment in the exploitation of natural resources, all investments over 50 million rubles (currently about \$2 million), investment ventures in which the foreign share exceeds 50 percent, or investment to take over incomplete housing and construction projects. Additional registration requirements exist for investments exceeding 100 million rubles. Projects involving large scale construction or modernization may also be subject to expert examination for environmental considerations. In sectors which require licensing (e.g., banking, mining and telecommunications), procedures often can be lengthy and non-transparent. Although the situation has improved over the past few years, foreigners encounter significant restrictions on ownership of real estate in some cities and regions in Russia.

During large-scale and case-by-case privatization from 1994-1997, foreign investment was a contentious issue. The Russian government failed to establish clear and consistent laws in this regard. The high profile loans-for-shares privatization program of 1995-1996 banned foreign investors from auctions in the oil, gas and precious metals sectors. Although foreign investors have participated in Russian privatization sales, stakes are limited and problems often arise with respect to minority shareholder rights and corporate governance. In 1998, privatization slowed significantly, first due to the government's decision to take a gradual approach, then as both foreign and domestic investors lost interest in unstructured enterprises that appeared unprofitable. Since foreigners are virtually the sole source of capital in Russia's current privatization climate, there have been several announcements that future sales will be open to foreign investors. One recent sale of government shares in Gazprom went to a foreign investor which already held shares in the company.

The question of foreign investment via future privatizations is not clear, and for the short term, controlling stakes in large state firms of potential interest generally are not up for sale. Nonetheless, small-scale privatization continues at local,

sells off incrementally some of the shares it owns in large enterprises). Potential foreign investors are advised to work directly and closely with local, regional and federal officials that exercise ownership and other authority over companies whose shares they may want to acquire.

Foreign investment has been hindered by the impact of the financial crisis which began in August 1998. A majority of firms suffered from inaccessible funds in banks, breakdowns in distribution, significant decline in demand for goods and products and nonpayment of receivables. Of these problems, reduced demand appears to be the most lasting effect, with many companies reporting revenues down by 20-50 percent even a year later. This economic context has made it more difficult for investment projects to secure financing, as private Western banks have all but ceased accepting Russian risk.

Rule of law and respect for property rights, though improving, remain key concerns for foreign investors. Many large U.S. firms are reluctant to pursue a strategy of growth through acquisition in Russia due to potential liabilities associated with existing facilities (e.g., tax debts and environmental cleanup liabilities), political pressures which would hinder economic restructuring, hidden financial liabilities and weak protection of minority shareholder rights.

The Energy Industry

Accounting for half of Russia's export revenues and comprising a major share of the world's undeveloped energy resources, Russia's oil and gas sector holds tremendous potential for foreign as well as domestic investment. After a long delay, new production sharing agreement (PSA) legislation was adopted at the beginning of 1999. The Russian government is now drafting normative acts which will facilitate investment in the energy sector through PSAs. Disagreement between the licensing agency, the Ministry of Natural Resources, and the technical agency, the Ministry of Fuels and Energy, has delayed progress in the past. Passage of PSA legislation was an important step toward a transparent, stable investment regime, and though not adequate in itself, is a precondition for major Western energy investment here.

The Russian government has been unable to deliver on promises of a stable environment for oilproducing joint ventures, which have operated outside the PSA context. One U.S. joint venture partner withdrew from Russia in May 1998, citing the adverse effect of the imposition of more than 40 new taxes by the Russian government since 1991. Ruble devaluation following the

as has the recent rebound in world oil prices. Access to export pipelines remains problematic for these ventures.

Changes in the ownership structure of the Russian oil industry have resulted in more market-oriented potential partners for U.S. firms. However, the sector remains characterized by a lack of transparency and extensive influence by Russian oil and gas firms over the government and other economic actors.

Agriculture

Russian agriculture is grossly undercapitalized, and foreign investors remain reluctant to invest in Russian farming for several reasons. Most Russian farm operators seek only minority partners, and few operations are available to be wholly-owned by foreigners because of Russian fears over possible loss of control of domestic production. Some regional governments have added uncertainty by imposing embargoes on movement of agricultural products out of the region after harvests, in order to ensure repayment of debts or local supply. Collective farms have undergone largely cosmetic reform -- many are now referred to as joint stock companies, but still operate much as in Soviet times, carrying social welfare responsibilities such as providing schools, healthcare and employment to local villages. Phase-out of subsidies has left many agricultural enterprises underfunded, and production is often a fraction of previous capacity. In the absence of land reform, it is difficult to obtain clear title to land and illegal to use land as collateral for loans.

Experience has shown that one of the most important factors determining success or failure of a foreign investment project in agriculture is the degree to which the local administration supports the project, is willing to clear obstacles when necessary and otherwise not interfere. Most administrations officially invite investment into their regions, but fewer are prepared to allow business to operate in a relatively open market without state interference with respect to issues such as pricing inputs and output, and with whom businesses may contract for services. Many local administrations still view foreign investors as sources of cash for the support of local government and favored businesses.

Regional Investment Initiative

The Regional Investment Initiative, announced in 1997, is a collaborative effort between the U.S. and Russian governments and regional authorities. In each of three selected regions, U.S. Government agencies work with Russian regional and federal

technical cooperation, financing, and partnership activities, aimed at boosting prospects for investment and economic growth in the given region. This initiative is currently being implemented in Novgorod, the Russian Far East (with a focus on Khabarovsk and Sakhalin), and Samara.

Conversion and Transfer Policies

The Central Bank of Russia (CBR) has substantially altered its exchange rate policy and tightened its currency controls since the August 1998 financial crisis. Tighter controls have helped reduce capital outflows, thereby supporting the ruble. These include the obligatory sale of 75 percent of foreign currency export earnings (up from the previous requirement of 50 percent) for rubles on authorized currency exchanges, a 100 percent prior deposit requirement for the advanced purchase of imports, and limitations on the purchase of foreign exchange using ruble in correspondent accounts; and increased bank reporting requirements.

The ruble is the only legal tender in Russia. There are two types of foreign currency operations under Russian law: (1) current operations (e.g., import/export contracts and loans not exceeding 180 days); and (2) capital operations (investments, financial loans exceeding 180 days, and deferred import/export payments of over 90 days). Current operations have no limitations while capital operations generally require prior approval of the CBR. The CBR has sought to streamline the approval process for direct investment inflows.

Non-residents can open ruble accounts at authorized resident banks. "T-accounts" are for servicing import and export operations, "I-accounts" are used for investment activities (e.g., paid-in capital, profit repatriation), and "S-accounts" for investments in government T-bills. "S-account" holders of rescheduled T-bills are not permitted to repatriate their proceeds into foreign currency other than through special limited auctions conducted by the CBR. Non-residents may open correspondent ruble accounts to service trade operations, as well as ordinary ruble accounts. Residents may open foreign exchange accounts.

Expropriation and Compensation

The 1991 investment code prohibits the nationalization of foreign investments except following legislative action and where deemed to be in the national interest. By law, such nationalizations may be appealed to the courts of the Russian Federation, and are to be paid with prompt, adequate and

Russia's current leadership is unlikely to nationalize or expropriate foreign holdings. However, local government interference, or lack of enforcement of court rulings protecting investors, in several cases has been a problem. The United States Embassy is tracking a small number of cases in which foreign companies are seeking compensation for the loss of their investment or property due to regional government action or inaction. Arbitration or legal proceedings are pending in some of these cases. To date, no award payments have been made in these cases.

Dispute settlement

Russia has a body of conflicting, overlapping and rapidly changing laws, decrees and regulations which has resulted in an ad hoc and unpredictable approach to doing business. Independent dispute resolution in Russia can be difficult to obtain; the judicial system is still developing. Regional and local courts are often subject to political pressure.

Many Western attorneys refer their Western clients who have investment or trade disputes in Russia to international arbitration (e.g., in Stockholm) or to courts abroad. A 1997 law now allows foreign arbitration awards to be enforced in Russia, even if there is no reciprocal treaty between Russia and the country where the order was made. Russia is a member of the International Center for Settlement of Investment Disputes and accepts binding international arbitration. However, the enforcement of international arbitral awards still ultimately requires action from Russian courts and follow-up by court officers through a nascent marshal system that has not yet proved itself.

As for legal avenues available in Russia through Russian arbitration, one is the Arbitration Court of the Russian Federation, which is part of the court system. It has special procedures for seizure of property before trial, so property cannot be disposed of before the court has heard the claim, as well as for the enforcement of financial awards through the banks. Additionally, the International Commercial Arbitration Court at the Russian Chamber of Commerce and Industry will hear claims if both parties agree to refer disputes there. Applications can be made by parties to foreign trade agreements and by companies with foreign investments. A similar arbitral court has been established in St. Petersburg.

As with international arbitral procedures, the weakness in the system is in Russian enforcement of decisions. In one case, for example, after three years of successful Russian litigation with

from its former joint venture partner. The best strategy, therefore, is to make a conscious effort from the outset of a business relationship to avoid court disputes, and to ensure that contracts include legal (under Russian law) mechanisms for resolving them to mutual satisfaction.

Performance Requirements and Incentives

The provision of investment incentives has been problematic in Russia, as the Russian government's interest in attracting investment has been tempered by its precarious financial situation, concern over privileges given to foreign investors, and interest in complying with rules of the WTO and other international economic institutions which generally frown on such incentives. Many investment incentives set out in the 1991 investment law, including certain tax benefits, have never been implemented, or have been largely eliminated or superseded by subsequent laws and decrees.

The current production sharing agreement legislation, as amended in late 1998, requires 70 percent local content. The Russian Automobile Decree, signed in early 1998, allows tariff breaks for large investments in the auto industry (where investment projects attain 50 percent domestic content levels within five years). There are also proposals (including in the Duma's draft foreign investment law amendments) to grant exemptions from customs duties for certain foreign investments exceeding \$100 million. However, in the face of severe fiscal shortfalls, Russia's government is under strong pressure to curtail existing incentives and to avoid offering new ones.

Performance requirements are not generally imposed by Russian law, and are not widely included as part of private contracts. They have appeared in the agreements of large multinational companies investing in natural resources development. A government resolution adopted in July 1998 requires Russian airlines to purchase domestically produced aircraft in order to receive waivers of customs duties for certain imported aircraft, potentially impacting the export of American aircraft to the Russian market.

Right to Private Ownership and Establishment

Both foreign and domestic legal entities may establish, purchase and dispose of businesses in Russia. Investment in those sectors affecting national security (insurance, banking, natural resources, communication, transportation, and defense related industries) may be limited.

The constitution and a presidential decree issued in 1993 give Russian citizens general rights to own, inherit, lease, mortgage, and sell real property (usually not including the land on which it stands). However, legislative gaps and ambiguities impede the exercise of these rights. Russia does not yet have a land code to regulate land use and ownership. The 1993 presidential decree gave joint ventures with foreign participants the right to own real property, and a privatization decree issued in the summer of 1994 permitted foreign owners of privatized companies to receive title to enterprise land; however, such rights have not been codified. The right of Russian citizens to own and sell residential, recreational and garden plots is clearly established, with over 40 million such properties under private ownership.

Although a spring 1996 presidential decree permits ownership and sale of land, including agricultural land, the Duma maintains that the decree is not constitutional. Uncertainty about more general rights to land title and mineral rights will persist until the Duma and president agree upon clear and comprehensive legislation to regulate land use and ownership. Meanwhile, some regional legislatures have tried to fill in the gap. In 1997 and 1998, Saratov and Samara oblasts approved laws allowing free trade of land in their regions. In mid-1999, proposals were floated to ban sale of land to foreigners (citing concerns over potential Chinese investors' assumption of control over border lands in Russia's Far East). While the Stepashin government has publicly distanced itself from such proposals, their active discussion contributes to lack of certainty over future Russian land ownership policy.

Intellectual Property

Since 1992, Russia has enacted laws strengthening protection of patents, trademarks and appellations of origin, and copyright of semiconductors, computer programs, literary, artistic and scientific works, and audio/visual recordings.

The patent law, which accords with norms of the World Intellectual Property Organization, includes a grace period, procedures for deferred examination, protection for chemical and pharmaceutical products, and national treatment for foreign patent holders. Inventions are protected for 20 years, industrial designs for 10 years, and utility models for five years. The law on trademarks and appellations of origin introduces for the first time in Russia protection of appellations of origin and provides for automatic recognition of Soviet trademarks upon presentation of the Soviet certificate of registration.

The law on copyright and neighboring rights, enacted in August 1993, protects all forms of artistic creation, including audio/visual recordings and computer programs as literary works for the lifetime of the author plus 50 years, and is compatible with the Bern Convention. The September 1992 law on Topography of Integrated Microcircuits, which also protects computer programs, protects semiconductor topographies for 10 years from the date of registration.

Russia has acceded to the Universal Copyright Convention, the Paris Convention, the Bern Convention, the Patent Cooperation Treaty, the Geneva Phonogram Convention, and the Madrid Agreement. Under the U.S.-Russian Bilateral Investment Treaty, Russia has undertaken to protect investors' intellectual property rights, although prospects for ratification of the Treaty in the foreseeable future are slim. The U.S.-Russia Bilateral Trade Agreement mandates protection of the normal range of literary, scientific and artistic works through legislation and enforcement.

While the Russian government has successfully passed good laws on protection of intellectual property, enforcement of those laws has been a low priority. A new criminal code went into effect on January 1, 1997, which for the first time applied criminal penalties to intellectual property violations. However, there are shortcomings in this law that need to be addressed. In 1997, Russia was elevated to the "Priority Watch List" category under "Special 301" provisions of the U.S. Trade Act, primarily for failing to provide protection for pre-existing U.S. copyrighted works and sound recordings still under protection in the United States; and Russia has retained this designation in subsequent years.

Until legislative and judicial measures are taken to provide for effective intellectual property enforcement, there will continue to be widespread marketing of pirated foreign video-cassettes, recordings, books, computer software, clothes and toys. Annual losses to manufacturers, authors and others are estimated to be in the hundreds of millions of dollars.

Transparency of the Regulatory System

The legal system in Russia is still in a state of flux, with various parts of government struggling to create new laws on a broad array of topics. In this environment, negotiations and contracts for commercial transactions are complex and protracted. Russia has implemented only part of its new commercial code (contained within the civil code) and investors must carefully research all aspects of Russian law to ensure

Contracts must seek to protect the foreign partner against contingencies that often arise. Keeping up with legislative changes, presidential decrees and government resolutions is a challenging task. Uneven implementation of laws creates further complications; various officials, branches of government and jurisdictions interpret and apply regulations with little consistency and the decisions of one may be overruled or contested by another. In addition, while a foreign investor may win a favorable decision from a Russian court, enforcement of judgments is problematic.

Legal requirements may be less burdensome than reaching final agreement with local political and economic authorities; registration can be a lengthy, bureaucratic process, particularly where natural resources or defense production are involved. Corruption is widespread and the fears of some Russian officials that foreigners will purchase Russian assets at below-market rates can impede bureaucratic approval. Environmental concerns are being raised more frequently now by Russian officials at federal and local levels as considerations in the approval process for investments.

Efficient Capital Markets and Portfolio Investment

Russia quickly established basic financial and capital markets, but both came under severe pressure in the wake of the 1998 financial crisis. According to the CBR, 22 percent of Russia's 1,407 credit organizations (down from 2,500 in 1995) are insolvent, and at least another 35 percent are in trouble. Since August 1998, Russian banks' capital has shrunk by 60 percent and the share of bad loans jumped from 10 to 43 percent. A newly created Agency for Restructuring Credit Organizations (ARCO) is tasked with restructuring banks. Although ARCO has begun to operate, its legal status is not finally fixed in law, and it is undercapitalized. International financial institutions are expected to provide assistance to help with bank restructuring.

Russia's equity markets began a slow recovery after being in the doldrums during 1998 and the first quarter of 1999. By June 1999, market capitalization had increased to around \$20 billion, up from September 1998's low of \$8 billion but still a fraction of January 1998's high of \$72 billion. By May 1999, daily volumes were picking up, propelling the Russian Trading System (RTS) index to its post-devaluation high of 147 in early July 1999, its highest level since August 4, 1998.

Regulatory measures have been introduced during the year designed to improve the integrity of securities markets and

review of the financial condition of professional market participants, limited the use of futures contracts, and initiated investigations on possible abuses of shareholders' rights using powers it received under a recently enacted law. A self-regulatory organization, the National Association of Market Participants (NAUFOR) has established a coordination center to gather information and provide a forum to protect investors' rights. In May, the OECD and World Bank announced the creation of a roundtable on corporate governance in Russia to identify priorities for policy attention.

A corporate bond market is in the early stages of development. In May 1999, the FCSM registered the prospectus of a bond issue for Russian major oil company Lukoil. Other blue chip energy producers also have announced their intention to issue such bonds. A corporate bond market has become attractive in the absence of a government T-bill market and commercial bank lending. It is also of interest to investors seeking outlets for rescheduled T-bills that cannot be repatriated. Certain tax issues will need to be addressed to make this market attractive for short-term instruments and investors.

Crime and Corruption

Crime has become one of the most oft-cited concerns of foreign (and Russian) businesses. Those involved with large flows of cash and goods should take precautionary measures. While organized crime is not new to Russia, recent years have seen an increase in the range and frequency of criminal activity. Unfortunately, law enforcement has been hard-pressed to keep pace with criminal advances. U.S. firms have identified demands for grease money as a pervasive problem. Prime Minister Stepashin and his predecessor, Yevgeny Primakov, named the fight against corruption as a priority of their governments due to its economic costs (particularly in deterring foreign and domestic investment and encouragement of capital flight). Russia has laws and regulations against bribery and other forms of corruption, but penalties are often insufficient to act as a deterrent. Latest available crime statistics (for 1997) show a slight increase in reported crimes. The personal crime situation in Russia is discussed briefly in Chapter IX of this report.

New-to-market U.S. companies will do well to bear in mind that the provisions of the U.S. Foreign Corrupt Practices Act are extraterritorial and require adherence in overseas markets including Russia. The number of U.S. firms doing profitable business in Russia without ever becoming victims of crime and corruption is well into the hundreds.

Russia inherited from the USSR 14 bilateral investment treaties (BITs), with Austria, Belgium and Luxembourg, Great Britain, Germany, Italy, Spain, Canada, the People's Republic of China, Korea, the Netherlands, Finland, France, and Switzerland. These were ratified in 1989-90 and came into force in 1991. Russia has since negotiated another 34 accords, of which 16 have been ratified - with Greece, Cuba, Romania, Denmark, Slovakia, the Czech Republic, Vietnam, Kuwait, India, Hungary, Albania, Norway, Yugoslavia, Italy, Lebanon, Macedonia and the Philippines. The U.S.-Russia Bilateral Investment Treaty, signed and ratified by the U.S. Senate in 1992, has since remained unratified by the Duma.

Labor

Russia's labor market is fragmented, characterized by limited labor mobility across regions and consequent wage and employment differentials. In Moscow, unemployment is low, and monthly incomes are three times higher than the national average. Unemployment, as measured by International Labor Organization (ILO) standards, was 10.4 million in May 1999 for Russia as a whole, or 14.2 percent of the workforce. However, the figure reaches 40 percent in some depressed regions.

Labor mobility continues to be restricted by an under-developed housing and mortgage market, housing shortages in many cities (with the exception of Moscow), and difficulties in obtaining government-mandated residency permits or registrations. Costs for existing housing and utilities are disproportionately low relative to incomes, also making workers loathe to move. The lack of labor mobility across regions significantly impacts wages and employment. Labor mobility across professions within regions is more common as workers attempt to adapt to the needs of a market economy. Workers in Russia are generally skilled and well-educated.

Wage arrears reached around \$10 billion in mid-1998 and represent the primary irritant in labor-management relations. The Russian government managed to reduce this figure to \$2.9 billion by March 1, 1999, with help of the devaluation of the ruble. Even during periods of high wage debts, sometimes exceeding six months' pay, strikes have become less frequent than in the mid-1990s. Workers have increasingly used methods other than strikes to call attention to their plight. Enterprises that pay wages in full and on time generally have smooth labor-management relations.

Russia's union movement is dominated by the Federation of

confederation have found it harder to operate, as wage arrears constrain would-be members from paying union dues.

The Russian government generally adheres to ILO conventions protecting worker rights, though enforcement remains an issue. In addition to wage arrears, worker safety is a major concern, as enterprises are often unable or unwilling to invest in safer equipment or to enforce safety procedures.

OPIC and Other Investment Insurance Programs

In 1992, the U.S. Overseas Private Investment Corporation (OPIC) was authorized to provide loans, loan guarantees and insurance against political risk to U.S. investments in Russia. OPIC normally insures against expropriation, political violence and currency inconvertibility. In 1994, to meet the demands of larger projects in Russia (and worldwide), OPIC doubled the amount of insurance and quadrupled the amount of finance support - to \$200 million in each case - it can commit to an individual project. Through the end of FY 1998, OPIC had committed \$3.37 billion in insurance, finance and OPIC-backed investment funds to over 125 projects in Russia. Russia is a member of the Multilateral Investment Guarantee Agency (MIGA). Following the ruble devaluation of 1998, OPIC, along with most other insurers, ceased offering currency inconvertibility insurance for investments in Russia, although it remains on cover for its other services.

VIII: TRADE AND PROJECT FINANCING

Brief Description of the Banking System

Since private banks were first allowed in the late 1980s, their number in Russia peaked at over 2,500 in 1995. Although there are over 1,500 licensed banks, the sector has been in a period of consolidation since mid-1995, accelerated by the 1998 financial crunch. In June 1999, the Central Bank revoked the licenses of eleven large and medium-sized banks, and in early July, CBR Chairman Gerashchenko indicated that about 130 banks would have their licenses revoked in 1999.

Russian banks' commercial lending has been limited for years, due to weak credit analysis and lack of international accounting practices (and until August 1998, by the certainty of higher returns on Russian government bonds, or GKO's). A silver lining of the 1998 devaluation was that it weeded out some (though by no means all) poorly-managed banks, and has encouraged banks to seek business through commercial lending, commissions on payment

speculative investment in government securities with unsustainably high yields.

Russian banks remain small by world standards (Sberbank, the largest, had assets worth approximately \$9 billion in November 1998 after the ruble's sharp depreciation; no other Russian bank had assets worth more than \$1.8 billion). State-owned Sberbank aside, size is not necessarily a good indicator of reliability: In 1998 Russia's largest commercial banks were those most exposed in terms of their portfolios of GKOs and forward foreign exchange contracts; whereas smaller banks that focused on commercial loans, payment transactions and other banking services often fared better. However, commercial lending remains a small share of Russian banks' business. Long-term lending (over 1 year) comprises under 10 percent of credits; and many Russian banks remain in precarious shape.

Currency Control and Regulation

Since 1994, businesses in Russia have been barred from accepting cash payments in dollars or other hard currency. Non-cash transactions (e.g. credit/debit cards and checks) are not affected by the new regulations, so establishments that previously accepted payment via credit cards continue to do so. Stores that sell imported goods are still allowed to mark prices in dollar equivalents. Since January 1999, Russian entities are required to convert 75 percent of their foreign-currency revenues from exports into rubles.

In an effort to limit outflow of capital, the CBR introduced a computerized export control system to monitor the flow of goods out of the country and the flow of hard currency back in. The system, which unites for the first time banking and export controls, requires exporters to obtain a special "passport" from a commercial bank, which enters the trade in a computer database. Customs agents register the actual export of the goods in the database and the commercial bank completes the cycle by entering receipt of the payment. Strategic exports, including energy and several types of metals, were subject to the new regime as of January 1, 1994. The system took effect for all other types of goods on March 1, 1994.

In 1996, the CBR, to combat bogus import contracts concealing offshore capital flight, imposed an "import passport" system, which requires issuance of a "passport" by the importer's bank for payment against a specific import contract. The importer has 180 days either to document entry of the goods with Russian Customs or return the hard currency issued in payment. Failure to comply with this regulation may make the importer liable for

General Financing Availability

High domestic interest rates, weak local banks and Western banks' reluctance to accept Russian bank letters-of-credit continue to limit Russian enterprises' access to working capital. While the Russian banking system as a whole is inexperienced in project financing, a number of Western investment banks and venture funds are operating locally, although most have scaled back their Russia operations since autumn 1998. In addition, a number of bilateral and multilateral financing programs provide more opportunities for traders and investors. The use of limited recourse project financing remains hampered by the immaturity of commercial legislation, including contract enforcement, asset title, the rights of debt and equity holders, performance responsibility of contractors and dispute settlement, among others.

How to Finance Exports; Methods of Payment

Companies new to exporting to Russia should insist on payment in advance for goods and services. This is, in fact, the normal procedure in Russia for most transactions. Letters of credit are issued by Russian banks only in those cases where the Russian customer can deposit the requisite funds in its account ahead of time. Prior to the 1998 financial crisis, Western banks generally would only confirm letters of credit on that basis as well, and today, very few Western banks accept Russian LCs under any circumstance. Once a firm has established a strong relationship with a Russian trading partner, the U.S. firm may consider extending short-term credit as a way to bolster sales volume. This should be done with caution, and after careful evaluation and establishment of a track record of successful payments.

For some large transactions, where up-front payment from Russian buyers may be impractical, financing may be provided by a bank, export credit agency or venture fund. In cases where lease transactions are appropriate, exporters should insist on three to four months' lease payment upon delivery.

Perhaps as many as twenty private Russian banks now offer forfaiting and factoring services. However, the volume and value of transactions using these techniques have yet to attain levels at which they are either profitable or self-sustaining. Given the endemic illiquidity in the Russian economy, cross-border leasing may become an important alternative to export sales. At present, less than five percent of imported equipment is leased. Equipment for the aviation, energy, transportation, pharmaceutical, forestry and fishing industries,

Countertrade and Promissory Notes

Because of low liquidity throughout the Russian economy, many U.S. and other foreign companies which pursue business here are surprised to find that, in some industries and regions, more than 70 or 80 percent of economic activity is conducted on a non-cash basis. In many transactions, goods or services are sold for other goods which can be used directly -- or more typically, sold -- by the original seller, who may have better access to cash-paying third-party customers than the original customer which made the payment-in-goods. While such barter deals can be more complex than cash transactions, U.S. firms should not dismiss them out-of-hand, for they can be just as profitable, and can help a company win a market foothold which it might not otherwise obtain. As in cash transactions, however, companies are advised to stay engaged in all aspects of the deal, to ensure that the payer meets commitments on schedule and that contracts are drawn up in accordance with Russian law, so that tax and other problems can be avoided.

Promissory notes (in Russian, "veksels"), denominated in rubles, are often offered by Russian companies or government entities in lieu of cash. While many veksel are issued by reliable companies, others are issued by firms with no credit records, or worse. U.S. companies are advised not to accept promissory notes as direct payment, but may find it worthwhile to rely on Russian banks or "veksel brokers" as intermediaries who will accept the final risk of the promissory notes and ensure that the U.S. exporter is paid in cash.

The U.S. Export-Import Bank

The U.S. Eximbank initially began lending to support U.S. exports to Russia in 1992, offering loans based on sovereign guarantees from the Russian Government. With Russia's tightening budget constraints undermining the Russian Government's willingness and ability to credibly offer sovereign guarantees, Eximbank has sought more creative ways to finance transactions, focusing on project-based finance. Eximbank's Oil and Gas Framework Agreement relies on pledges of exported oil to guarantee loans, and Exim has supported eight transactions for the oil sector, worth more than \$1 billion. Russia's Gazprom withdrew from a similar arrangement in 1997, citing concerns over possible U.S. sanctions. Companies which wish to investigate whether Eximbank financing may be available for particular transactions should contact Eximbank directly (see Chapter XI for contact information).

IX. BUSINESS TRAVEL

Business Culture and Customs

One challenging aspect of doing business here is bridging the substantial cultural gulf between Russians and Americans. Russian business culture is different, and visitors should not assume that Russians with whom they are dealing have adopted or understood American business practice. For example:

-Russian decision-making is still highly centralized in most organizations.

-While Americans prefer to base their business relationships on legally-binding contracts, many Russians still doubt the value of their business laws and courts. In contrast, many Russian business dealings are based on strong personal relationships, with contracts considered merely a formality.

-Many Russians want to keep wealth and business deals secret.

-Westerners may think "win-win," but Russians -- "win-lose."

Travel Advisories

The State Department issues travel advisories when local unrest warrants. Travel to Chechnya and surrounding areas is extremely dangerous due to continued political tension in the area. Some U.S. citizens have been killed or have disappeared in Chechnya or adjacent Dagestan; and local gangs continue to seize hostages on occasion. Anyone considering travel to such areas is strongly urged to obtain an up-to-date travel advisory from the U.S. Department of State (Tel 202-647-4000 or the travel advisory link from website www.state.gov). Public gatherings and demonstrations occur occasionally in major cities of Russia. Although such demonstrations are usually peaceful, travelers are urged to exercise caution in areas where large groups are gathered. Anti-American demonstrations during the early days of the NATO bombing campaign in Yugoslavia briefly affected Embassy services.

Travelers may need to cross great distances, especially in Siberia and the Far East, to obtain services from Russian Government organizations, the U.S. Embassy in Moscow or U.S. consulates in St. Petersburg, Yekaterinburg or Vladivostok.

Visas

All Americans traveling to or transiting through Russia by any

subject to fines, days of processing requirements imposed by Russian officials, and/or deportation by route of entry at the traveler's expense.

Visas, other than for transit purposes, are issued based on support from a Russian individual or organization - the sponsor. It is very important to know who your sponsor is and how he or she can be contacted, as Russian law requires the sponsor to apply for replacement, extension or changes to your visa. The U.S. Embassy and Consulates cannot act as a sponsor. Tourists should contact their tour company or hotel in advance for information on visa sponsorship.

All foreigners must have an exit visa to depart. For short stays, the exit visa is issued along with the entry visa. For longer stays, the exit visa must be obtained by the sponsor after the traveler's arrival. All travelers who spend more than three days in Russia must register their visa through their hotel or sponsor. Visitors who overstay their visas, even for one day, or who neglect to register their visa, may be temporarily barred from leaving. Errors in dates or other information on the visa can and do occur, and it is helpful to verify correctness of this information before departing the United States. We recommend that travelers have all points of entry and all itinerary points in Russia listed on their visa, in order to avoid any difficulties in registering their visas or any delays in travel. (Note: While it is no longer legally required for all itinerary points to be listed, not all local authorities seem aware of the change). Random document checks by police on foreigners are infrequent but do occur, so U.S. citizens should carry their original or photocopies of the passports and registered visas. Failure to show proper documentation can lead to detention and/or fines.

Americans can obtain visas from the Consular Section of the Russian Embassy or from one of three other Russian Consulates in the United States, as follow:

Russian Consulate - Washington, D.C.

Tel: (202) 939-8907, 939-8918; Fax: (202) 298-5735, 986-1207

Russian Consulate - New York

Tel: (212) 348-0955; Fax: (212) 831-9162

Russian Consulate - San Francisco

Tel: (415) 928-6878; Fax: (415) 929-0306

Russian Consulate - Seattle

Tel: (216) 728-1910; Fax: (216) 728-1817

January 1 --New Year's Day
 January 7 --Christmas (Orthodox)
 March 8 --International Women's Day
 May 1 --International Labor Day
 May 2 --Spring Day
 May 9 --Victory Day
 June 12 --Independence Day
 November 7--Revolution Day
 December 12 --Constitution Day

When holidays fall on weekends, Russian authorities generally announce during the week prior to the holiday whether it will be celebrated on the preceding Friday or the following Monday.

Transportation

Air travel within Russia is occasionally erratic but generally on-schedule, and the overall quality of service continues to improve. Some Russian-based that are certified to operate internationally, airlines such as Aeroflot and Transaero, usually meet higher standards than domestic-only carriers. Moscow has four major airports which ring the city. Most international flights enter Moscow through Sheremetyevo-2. Travelers may continue to other Russian cities from any of the other three airports (Sheremetyevo-1, Vnukovo or Domodedovo). Travel time to the departure airport can be as much as an hour and a half from Sheremetyevo-2, and ample time must be allowed for passport control, customs clearance and baggage retrieval. St. Petersburg's airport has two terminals: Pulkovo-1 (domestic flights) and Pulkovo-2 (international flights).

A good way to get around Russia is by train. Between cities as close as St. Petersburg and Moscow, travelers can generally ride overnight trains, although unaccompanied passengers are reminded to keep an eye on their valuables and lock their doors at night (if in a sleeping compartment), as some incidents of pickpocketing have been reported. Inclement weather, erratic maintenance and a culture of aggressive driving make road conditions throughout Russia highly variable. Drivers and pedestrians should exercise extreme caution to avoid accidents, which are common. Traffic police sometimes stop motorists to retrieve cash "fines," and bandits occasionally prey on travelers, especially in isolated areas.

In Moscow and St. Petersburg, the metro (subway) is an efficient and inexpensive, if crowded, means of transport. Signs are in Russian, so it is helpful at least to learn the Cyrillic alphabet before you come. Marked taxis are increasingly present

excursions, or hire taxis through their hotels for shorter jaunts.

Personal Security

Recent police statistics for Moscow report an overall decline in crime, though drug-related crimes, murders, and kidnappings have increased, and street crime, sometimes violent, remains a continuing problem. The crime rate in Moscow is still below that of many major U.S. cities, and the rate is generally much lower in regions of Russia outside major cities (however, terrorist activity is a threat in and around Chechnya, including the adjacent republics of Dagestan and Ingushetia).

In Moscow, the most prevalent crime is theft, primarily from hotel rooms and train compartments, and by pickpockets and bands of street criminals. While there is little overt anti-American sentiment in Russia, Westerners are often targeted because of their perceived wealth, and street criminals operate in areas frequented by tourists and business travelers. Most foreigners are easily identifiable on Russian streets. In April 1998, a series of violent attacks in Moscow by gangs of "skinheads" against persons of African and Asian origin led to issuance of a travel warning to American citizens cautioning them of the possibility of such attacks.

To reduce the risk of personal crime, U.S. businesspeople should be alert to their surroundings and guard belongings in hotels, restaurants and other high-density tourist areas. Do not assume that you can blend in on the street. Do not leave valuables in hotel rooms -- keep your passport and visa with you at all times, and retain copies in separate locations in case of loss or theft of the originals. Be alert to theft and assault in metro stations, on metro trains, and on inter-city trains (when traveling on overnight trains, secure the door to your compartment with some sort of jamming device). While many Muscovites flag private "hacker" vehicles for rides, this is a riskier form of transport that is better avoided, and travelers are advised to use only marked taxis. Finally, American business people who utilize local services for banking, security and medical treatment should limit the information provided to the minimum required, as reports have been received indicating that some individuals working in these sectors have passed confidential credit/financial, banking and medical information to organized crime gangs who use it to make extortion threats against foreigners.

Language

businesses should hire a reputable interpreter when conducting important negotiations. Not having product literature in Russian will put your company at a big disadvantage relative to your European and Asian competitors, not to mention local firms.

Hotels

While world-class tourist and business facilities exist in Moscow and some other large cities, they are undeveloped in most of Russia, and many goods and services taken for granted in other countries are not yet available. Moscow, St. Petersburg, Novgorod, Nizhnevartovsk, Perm, Samara, Yekaterinburg, Perm, Sochi, Yuzhno Sakhalinsk and Vladivostok, among other cities, have Western-style hotels, though often priced at a premium compared with other major cities of the world. Outside major cities, traditional Russian hotels often offer fairly modest accommodations. Some regional hotels raise rates for foreign guests. It is possible to find well-appointed hotels in some small towns; it is equally possible to find yourself temporarily without water or electricity when visiting other regions of Russia. In regional cities such as Tomsk, thrifty business travelers who are willing to forego luxury can find hotel room bargains for as little as 204 rubles per night.

Clothing

Winters can be extremely cold in Russia, with temperatures in the minus-20 Fahrenheit range not unusual. Winter clothes may be needed as early as October or as late as April. Water-resistant footwear is advised, as uneven pavement allows large puddles to form quickly. Rubber-soled footwear will keep your feet warmer than leather-soled pairs if you are walking any distance in winter. Summers, while brief, can be surprisingly hot, and travelers should be prepared for the fact that air conditioning is still rare outside big-city hotels.

Healthcare

As in many countries of the world, travelers should drink only boiled or bottled water. Medical care is usually far below Western standards, with frequent shortages of basic medical supplies. Many resident Americans travel to the West for their medical needs, but such travel can be very expensive if undertaken under emergency conditions. The cost of a medical evacuation from some Russian regions may exceed \$50,000. Thus, travelers should check their insurance coverage and consider buying supplemental coverage for medical evacuation. Elderly travelers and those with existing health problems may be at particular risk. Further information on health matters can be

CDC home page on the Internet at www.cdc.gov. Access to the few quality facilities in major cities usually requires cash payment at Western rates upon admission, although the number of such facilities in Moscow and St. Petersburg has grown significantly in recent years. The U.S. Embassy and Consulates maintain lists of such facilities and of English speaking doctors.

Food

Restaurants in Moscow, and to a somewhat lesser extent in St. Petersburg, are more expensive than in all but the largest American cities. Most Westerners find Russian cuisine suits their palate, and come to savor traditional dishes; those in search of food from other cultures should concentrate on the major cities. In smaller communities, visitors often must accept the food available at hotels.

Money

The ruble is the only legal tender. Many prices remain marked in "old" (pre-1998) ruble prices as well as in "new" rubles (the ruble was redenominated, with new notes issued, as of January 1998). It is illegal to pay for goods and services in U.S. dollars or other foreign currency. Old, worn, or marked dollar bills are often not accepted at banks and exchanges, even though this is technically a violation of currency laws.

Travelers' checks and credit cards are not yet widely accepted except in major cities, and only rarely at stores catering mainly to Russians. Travelers to regional cities or towns are advised to carry enough cash to cover foreseeable expenses. Major hotels or the American Express offices in Moscow and St. Petersburg may be able to suggest locations for cashing travelers checks or obtaining cash advances on credit cards. Automatic Teller Machines are now common in downtown Moscow, though many have not returned to service following the freeze-up of the payment system in 1998. Western Union has agents in Moscow, St. Petersburg, and some other large cities which disburse money wired from the United States.

Customs Regulations

Russian customs laws and regulations are complicated and highly discretionary. A 30-percent duty may be required to export any personal item(s) worth over \$10,000, although additional charges may be required depending on the type of item to be exported. Export duties may be imposed on any items which are determined by customs officials at the point of departure to be of

taken out of Russia only with prior written approval of the Ministry of Culture and payment of 100 percent duty. Certain items, such as caviar, medications, jewelry, precious/semiprecious stones or metals, and fuel may be exported duty-free in limited amounts only. Computers, electronic notebooks and related hardware must be presented to customs officials at Moscow's Sheremetyevo airport for scanning at least two hours prior to departure. Failure to follow the customs regulations may result in penalties ranging from confiscation of the property in question and/or the imposition of fines to arrest and possible imprisonment.

Arriving travelers must present a customs declaration upon arrival in which the amount of currency brought into the country is declared and items of value are listed. Travelers should ensure that this declaration is stamped by customs officials at the point of entry in order to prevent possible difficulties in taking currency and valuables back out.

Drug Penalties

U.S. citizens are subject to the laws of the country in which they are traveling. Penalties for possession, use, or trafficking in illegal drugs are strict and convicted offenders can expect jail sentences and fines.

Registration and U.S. Embassy/Consular Locations

All Americans who reside in Russia for three months or longer are encouraged to register at the U.S. Embassy or at one of the U.S. Consulates. Those staying for shorter periods may also register and inquire about updated travel and security information. Registration facilitates replacement of a lost or stolen passport as well as contact in case of emergency.

U.S. Business travelers are encouraged to obtain a copy of the publication "Key Officers of Foreign Service Posts: Guide for Business Representatives," sold by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402, Tel: (202) 512-1800, fax (202) 512-2250.

Business visitors to Russia seeking appointments with the American Embassy in Moscow or Consulates-General in St. Petersburg, Yekaterinburg or Vladivostok should contact the Commercial Sections at these posts in advance.

U.S. and Foreign Commercial Service, Moscow

Edgar Fulton, Minister Counselor for Commercial Affairs
Bolshaya Molchanovka 23/28, Moscow 121069

U.S. and Foreign Commercial Service, St. Petersburg

Michael Richardson, Principal Commercial Officer
 Stuart Schaag, Commercial Officer
 25, Nevsky prospekt., St. Petersburg, Russia 191186
 Tel: (812) 326-2560; Fax: (812) 326-2561/62

U.S. and Foreign Commercial Service, Vladivostok

Richard Steffens, Principal Commercial Officer
 32 Pushkin Street, Vladivostok, Russia 690000
 Satellite Tel/fax: (509) 851-1211
 Tel: (4232) 300-093; Fax: (4232) 300-092
 e-mail: csvlad@online.ru

U.S. and Foreign Commercial Service, Yekaterinburg

Alexander Deyanov, Commercial Assistant
 15A Gogol Street, Third Floor
 Yekaterinburg, Russia
 Tel: (3432) 564-619; Fax: (3432) 564-515
 Tel: (3432) 564-736 (Foreign Commercial Service)

X. ECONOMIC AND TRADE STATISTICS**APPENDIX A: COUNTRY DATA\1**

Population: --147.6 million (1998 growth: -.5 percent)
 Religions: Russian Orthodox, Muslim, Jewish, Buddhist, Catholic, Protestant, other.
 Government: --Federal, comprised of 89 Republics, Oblasts (regions), Territories and Autonomous Areas.
 Languages: --Russian (official), plus over 140 other languages and dialects
 Work Week: --40 hours.

APPENDIX B: DOMESTIC ECONOMY \1,\2

	1997	1998	1999
GDP (billions of rubles)	2522	2685	4000
Real GDP growth rate (%)	0.4	-4.4	-3 to -5
GDP Per Capita (rubles)	1835	1825	2721
Government Spending (% GDP)	113	83	14
Inflation (average annual, in %)	11.1	184	35
Unemployment (%)	9.6	11.8	14.1
Foreign Exchange Reserves (\$ bln)	17.8	12.2	n/a
Average Exchange Rate (rubles/\$)	5.78	9.97	24.5
Foreign Debt (\$ billions)	153.6	164.3	162.3
Debt Service Ratio	10.1	14.9	n/a

APPENDIX C: TRADE

Total Country Exports	88.4	73.9	83.4
Total Country Imports	73.6	59.5	49.1
U.S. Exports to Russia	3.3	3.6	3.0
U.S. Imports from Russia	4.3	5.7	5.1

\1 - Source (Appendices A, B, C): Russian State Statistics Committee (GOSKOMSTAT). Total trade data supplied by Russian State Customs Committee. U.S.-Russia trade data supplied from U.S. Department of Commerce, Bureau of the Census.

\2 - 1999 figures are projected.

APPENDIX D: FOREIGN INVESTMENT STATISTICS

TABLE I: TOP TEN INVESTORS ON ANNUAL BASIS (USD MILLION)

	1997		1998	
	TOTAL \3	DIRECT	TOTAL \3	DIRECT
TOTAL	12,296	3,900	11,773	3,361
GERMANY	1,647	228	2,848	328
USA	2,996	2,099	2,238	1,170
BRITAIN	2,411	340	1,546	205
FRANCE	209	203	1,591	15
CYPRUS	992	n/a	917	403
NETHERLANDS	540	340	877	610
SWITZERLAND	1,756	104	411	40
LUXEMBOURG	--	--	228	3
FINLAND	--	--	185	141
SWEDEN	72	--	146	70

SOURCE: GOSKOMSTAT AND MINISTRY OF ECONOMY

\3 TOTALS INCLUDE DIRECT, PORTFOLIO, AND OTHER INVESTMENT.

Table I shows a decline in total investment between 1997 and 1998, from \$12.3 billion to \$11.8 billion. Foreign direct investment (FDI) declined by 37 percent decline to \$3.36 billion in 1998, according to Ministry of Economy data. Balance of payments figures show a larger drop in FDI of two-thirds, from \$6.5 billion to \$2.2 billion in 1998. Note: Russian balance of payments data are believed to include investment in bank equity and foreign direct investment that is less than 10 percent of a company's capital; this resulted in much higher figures in 1997 and lower figures in 1998 for foreign direct investment. A large part of the portfolio and other foreign investment, according to Russian government analysts, went into government securities. This category also contains long-term, as well as short-term loans.

TABLE II: TOP INVESTORS - ACCUMULATED BASIS (USD MILLION)

1997	JAN-SEPT 1998
-----	-----

TOTAL	100.0	21,800	100.0	27,219
USA	28.6	6,228	17.7	4,783
BRITAIN	16.7	3,639	7.9	2,146
SWITZERLAND	15.4	3,359	2.3	208
GERMANY	11.6	2,536	31.8	8,652
CYPRUS	3.3	728	9.2	2,516
ITALY	2.8	605	7.6	2,070
FRANCE	1.9	408	12.2	3,331
SWEDEN	1.8	390	1.5	413

SOURCE: GOSKOMSTAT AND MINISTRY OF ECONOMY

Figures in Table II can only be taken as a general indication of activity identified with a given country. They do not represent accumulated stock of investment because they include portfolio and "other" investment and do not reflect any withdrawal of funds or decreases in value of assets. Economy Ministry analysts identify direct investment as \$3.9 billion in 1997. Comparable data is not yet available for 1998.

TABLE III: FOREIGN INVESTMENT - TOP REGIONS (USD MILLION)

	1997 \4		1998	
	PERCENT	MILLION	PERCENT	MILLION
TOTAL	100.0	10,500	100.0	11,773
MOSCOW(CITY)	67.4	7,077	49.8	5,860
MOSCOW REGION	n/a	n/a	6.0	709
TATARSTAN	6.7	698	5.8	684
OMSK	3.5	365	3.8	452
PETERSBURG	1.6	171	3.5	413
YAKUTIA	--	--	1.7	197
SAMARA	--	--	1.6	193
TYUMEN	1.9	195	1.5	182

\4 Ministry of Economy data by sector and region in 1997 were calculated using a smaller figure for total foreign investment of \$10.5 billion.

Table III shows annual investment for 1997 and 1998 by region. Clearly, Moscow and Moscow Oblast got the lion's share in both years, but the large share of portfolio investment could be expected to favor Moscow, where most banks and investment companies are centered.

TABLE IV: FOREIGN INVESTMENT - TOP SECTORS (USD MILLION)

	1997 \4		1998	
	PERCENT	MILLION	PERCENT	MILLION
TOTAL	100.0	10,500	100.0	11,773
FUEL INDUSTRY	15.8	1,657	15.9	1,880
FOOD INDUSTRY	6.2	646	12.5	1,426
COMMERCIAL ACTIV- ITY SUPPORTING THE FUNCTIONING OF THE MARKET \5	16.3	1,712	12.1	1,426
TRADE/CATERING	4.8	509	10.2	1,201

TRANSPORT/COMMUNIC.	1.7	178	5.0	589
LUMBER INDUSTRY	1.3	134	2.0	240
COMMUNICATIONS	1.2	145	2.3	271

\4 Ministry of Economy data by sector and region for 1997 were calculated using a smaller figure for total foreign investment of \$10.5 billion.

\5 This category includes, among others, investment, consulting, advertising, and marketing companies. For 1998, it includes only advertising and auditing.

Table IV shows annual investment by sector. Whereas finance and the ungainly "commercial activity supporting the functioning of the market" accounted for close to 60 percent of the total in 1997, investment in 1998 was more evenly distributed among sectors, with a dramatic decline in investment into the financial sector.

XI. USEFUL CONTACTS

APPENDIX E: HOST-COUNTRY and U.S. CONTACT INFORMATION

Russian Government Agencies: Following is a listing of selected Russian government offices with responsibilities affecting business. This is not an exhaustive list, and companies seeking contact information for particular federal or regional government offices not appearing here are encouraged to contact the U.S. Commercial Service in Russia.

A listing of Russian Consulates in the United States is found in Chapter IX of this report.

The country code for telephone and fax numbers in Russia is 7. City area codes appear in parentheses.

Ministry of Trade

Mikhail Fradkov, Minister of Trade
18/1, Ovchinnikovskaya Nab., Moscow
Tel: (095) 220-1064; Fax: (095) 220-1684, 231-9220

Ministry of Finance:

Mikhail Borisovich Kasyanov, Minister of Finance
Ulitsa Ilyinka 9, Entrance 1, Moscow
Tel: (095) 298-9130; Fax: (095) 925-0889

Ministry of Fuels and Energy:

Viktor Ivanovich Kalyuzhny, Minister of Fuels and Energy
7, Kitaigorodskiy Proyezd, Moscow 103074
Tel: (095) 220-4659; Fax: (095) 975-2045 (International Dept.)

Vladimir Nikolaevich Shcherbak, Minister of Agriculture & Food
Orlikov Pereulok, 1/11, Moscow
Tel: (095) 207-4243
Fax: (095) 207-6437

State Customs Committee:

Mikhail V. Vanin, Chairman, State Customs Committee
1a, Komsomolskaya Ploshchad, Moscow 107842
Tel: (095) 975-1918; Fax: (095) 975-4823

State Committee for Communications (Goskomsvyaz)

Alexander Ivanov, Chairman
7, Tverskaya Ul., Moscow 103375
Tel: (095) 292-7144; Fax: (095) 230-2097

**State Committee for Standardization, Metrology and Certification
(GOSSTANDART):**

Gennady Petrovich Voronin, Chairman
9, Leninskiy Prospekt, Moscow 117049
Tel: (095) 236-6208, -4044; Fax: (095) 236-6231, 237-6032

State Committee for Construction and Housing Policy (Gosstroi)

Anvar Shamukhamedovich ShamuzaFarov, Chairman
Georgy Surenovich Markosov, Deputy Chairman
8, Stroiteley Ul., Bldg. 2, Moscow, 117987
Tel: (095) 930-1755; Fax: (095) 938-2202

State Statistics Committee (Russian official economic data)

Aleksandr D. Gulidov, Deputy Chairman
39 Myasnitskaya Ul.
Moscow 103450, Russia
Tel: (095) 207-4676; Fax: (095) 207-4891

Russian Copyright Agency:

Vladimir Nikolaevich Tverdovsky, Chairman of the Board;
Vadim Serafimovich Dunin, Head, Foreign Relations Department
6a, Bolshaya Bronnaya Ul., Moscow 103670
Tel: (095) 203-2996, -4599; Fax: (095) 200-1263

Russian Agency for Patents and Trademarks (Rospatent)

Alexander Dmitrievich Korchagin, Director General
30-1 Berezhkovskaya Nab., Moscow 121858, Russia
Tel. (095) 243-5509, 206-1809, 240-3295; Fax: (095)-243-3337
Internet site: www.rupto.ru

Selected Regional Governments:

Moscow City Administration:

Iosif N. Ordzhonikidze,

Tel: (095) 229-6360; Fax: (095) 883-6208

St. Petersburg City Administration:

Valentin Makarov, Deputy Chmn., Cmte. for External Relations
1, Smolniiy, St. Petersburg
Tel: (812) 271-0767; Fax: (812) 276-1633

Leningrad Oblast

Sergei Naryshkin, Chmn., Cmte. for External Economic Relations
Suvorovsky Prospect, 67, St. Petersburg, 193311
Tel: (812) 278-5587; Fax: (812) 274-5986

Sverdlovsk Oblast Administration:

Igor Ivanovich Arzyakov, Dir., Foreign Relations Department
1, Oktyabrskaya Ploshchad, Yekaterinburg 620031
Tel: (3432) 51-54-97, 58-96-56; Fax: (3432) 51-98-70

Yekaterinburg City Administration:

Vladimir I. Lomovtzev, Dir., Foreign Relations Department
1, Oktyabrskaya Ploshchad, Yekaterinburg 620031
Tel: (3432) 51-13-07, 51-43-83; Fax: (3432) 51-90-05

Primorskiy Territorial Administration:

Andrey Gennadyevich Zagumyonov, Chairman
Committee for Foreign Economic Relations and Regional Trade
of the Dept. for Foreign Economic Relations and Tourism
22 Svetlanskaya ulitsa, 690110, Vladivostok
Tel: (4232) 22-08-52; Fax: (4232) 22-10-19

Khabarovsk Territorial Administration:

Sergey I. Lopatin, Chief, Foreign Economic Relations Dept.
56 ul.K.Marksa, Khabarovsk
Tel/fax: (4212) 32-41-21

Sakhalin Regional Administration:

Vitaly Nikolaevich Elizariyev, Director
Department of Foreign Economic Relations
32 Kommunisticheskiiy prospect, "Sakhincenter", office 236
693000 Yuzhno-Sakhalinsk 693000
Tel: (4242) 72-74-94
Fax: (4242) 72-74-93; International fax: 509-95-1236

Contacts for Company Registration:

Registration Chamber of the Moscow City Administration
Branch, Registration of Foreign Companies
22, Pilyugina Street

Head of Branch Office

Tel: (095) 132-0500; Fax: (095) 202-2787

State Registration Chamber of the Russian Federation

3/5, Smolensky Bulvar

Moscow 119835, Russian Federation

Vitaly P. Seryogin, Chairman

Tel: (095) 246-8649, 246-3486; E-mail: srcinfo@corbina.ru

Nikolai Nikolayevich Saveliev

Head of the Information Service

Tel/Fax: (095) 245-2090

Chamber of Commerce and Industry of the Russian Federation

Department of Accreditation

Sergey Borisovich Kulyba, Senior Expert

6, llyinka Street, Office 104

Moscow 103684

Tel: (095) 929-0260

Fax: (095) 929-0170

Moscow Chamber of Commerce and Industry

Yury Kotov, President

22 Pilyugina Street

Moscow 117393, Russian Federation

Tel: (095) 132-7396, 132-7255

Alexander Ossadchy, Director for Foreign Economic Activities

Tel/fax: (095) 132-0047; E-mail: mtp@glasnet.ru

Andrei Grigorievich Oreshin, Head, Accreditation & Visa Div.

Tel/Fax: (095) 132-7429; Fax: (095) 132-0029, 132-0047

Ministry of Trade of the Russian Federation

18/1, Ovchinnikovskaya Nab.

Moscow, Russia

Victor Arkadievich Barkov, Head, Dept. of Protocol Service

Tel: (095) 950-1000

Vladimir Anatolievich Volkov, Expert (for U.S. firms)

Tel: (095) 950-1620; Fax: (095) 950-9700

Ministry of Finance of the Russian Federation

9, llyinka Street, Moscow

Alexander Vladimirovich Denisov, Head, Foreign Relations Dept.

(Accreditation of banking, auditing firms)

Tel: (095) 298-9959; Fax: (095) 913-4311

Central Bank of Russia

Sergey Vladimirovich Tatarinov, Dir., Foreign Relations Dept.

Igor Olegovich Shpotakovsky, Head, Accredited Office & Banks

12 Neglinnaya Street, Moscow

Fax: (095) 921-9147

State Duma (Lower chamber of Parliament):

--Cmte. on Budget, Taxes, Banking and Finance:

Alexander Dmitrievich Zhukov, Chairman
1 Okhotny Ryad, Moscow
Tel: (095) 292-3618; Fax: (095) 292-6016

--Cmte. on Economic Policy

Vladimir Ilyich Tikhonov, Chairman
1 Okhotny Ryad, Moscow
Tel: (095) 292-4260; Fax: (095) 292-4322

--Cmte. on Industry, Construction, Transport and Energy:

Vladimir Kuzmich Gusev, Chairman
1 Okhotny Ryad, Moscow
Tel: (095) 292-0498; Fax: (095) 292-3763

Trade Associations/Chambers of Commerce in Russia:

American Chamber of Commerce in Russia (Amcham)

Scott M. Blacklin, President
Kosmodamianskaya Nab. 52, Building 1, 8th floor, Moscow
Tel: (095) 961-2141; Fax: (095) 961-2142

American Chamber of Commerce in St. Petersburg

Slava Bytchkov, Executive Director
25 Nevsky Prospect, St. Petersburg, Russia, 191186
Tel: (812) 326-2590; Fax: (812) 326-2591

St. Petersburg International Business Association

Natalia Kudryavtseva, Executive Director
36 Shpalernaya ul., 3rd floor, St. Petersburg, 191123
Tel: (812) 325-9091; Fax: (812) 279-9789

St. Petersburg Chamber of Commerce and Industry

Alexey Ostapchuk, Deputy President
46-48, Ul. Tchaikovskogo, St. Petersburg, Russia, 191194
Tel: (812) 279-0607; Fax: (812) 272-8612

Vladivostok International Business Association (VIBA)

c/o U.S. and Foreign Commercial Service, Vladivostok
32 Pushkin Street, Vladivostok, Russia 690000
Tel: (4232) 300-093; Fax: (4232) 300-092
e-mail: csvlad@online.ru

Council for Trade and Economic Cooperation (CIS-USA)

Boris Petrovich Alekseyev, President
3, Naberezhnaya Shevchenko, Moscow 121248
Tel: (095) 243-5514, -5470; Fax: (095) 230-2467

Stanislav Alekseyevich Smirnov, President;
 Yuriy Nikolayevich Denissenkov, Head,
 Sergey B. Kulyba, Expert on Accreditation, Protocol Department
 6, Ilyinka Ul., Moscow 103684
 Tel: (095) 929-02-86,-60,-61,-62,-63; Fax: (095) 929-0356

Moscow Chamber of Commerce and Industry

Eduard K. Rodkin, Director
 22 Academician Pilyugin Street, Moscow 117393
 Tel: (095) 132-0047; Fax: (095) 132-0029
 e-mail: ext@mtpp.org

U.S. GOVERNMENT PERSONNEL HANDLING BUSINESS ISSUES IN RUSSIA:

Contacts for the United States Commercial Service offices in Russia are found at the conclusion of Chapter IX of this report. Other potentially-useful contacts follow below:

U.S. Embassy in Moscow:

James F. Collins, United States Ambassador to Russia
 Novinsky Bulvar 19/23.
 Tel: (095) 252-2451; Fax: (095) 956-4261
 After-hours (emergencies):
 Tel: (095) 252-1898 or 255-5123.

--Edgar Fulton, Minister Counselor for Commercial Affairs
 Ulitsa Bolshaya Molchanovka 23/28, Moscow 121069
 Tel: (095) 737-5030; Fax: (095) 737-5033

--Michael Matera, Minister Counselor for Economic Affairs
 21, Novinskiy Bulvar, Moscow 121099
 Tel: (095) 956-4220; Fax: (095) 956-4146

--Geoff Wiggin, Minister Counselor for Agricultural Affairs
 21, Novinskiy Bulvar, Moscow 121099
 Tel: (095) 956 4103; (502) 221 1245
 Fax: (095) 975 2339; (502) 224 1356

--James Wallar, Treasury Attache
 21, Novinskiy Bulvar, Moscow 121099
 Tel: (095) 956-4258; Fax: (095) 956-4146

U.S. Consulate-General - St. Petersburg

Ulitsa Furshtadskaya 15
 Tel: (812) 275-1701; Fax: (812) 110-7022
 After-hours emergencies:

U.S. Consulate-General - Vladivostok

32 Pushkin Street

Tel: (4232) 268-458 or 300-070;

Fax: (4232) 300-091 or 300-072

U.S. Consulate-General - Yekaterinburg

15A Ulitsa Gogolya, 4th Floor

Tel: (3432) 564-619 or 564-691; Fax: (3432) 564-515.

Federal Aviation Administration (FAA)

Dennis B. Cooper, Senior Representative

C/O American Embassy, Brussels

27 Boulevard du Regent, B-1000 Brussels, Belgium

Tel: 322 508-2700; Fax: 322 230-06428

Tel: (095) 956-4036; Fax: (095) 956-4293

Washington-Based U.S. Government Contacts for Russia:**Business Information Service for the New Independent States (BISNIS)**

Anne Grey, Director

U.S. Department of Commerce, Rm.7413, Washington, D.C. 20230

Tel: (202) 482-4655; Fax: (202) 482-2293

U.S. Department of Commerce -- Market Access and Compliance

Russia and Independent States Division

Jack Brougher, Director

U.S. Department of Commerce, Rm.3318, Washington, D.C. 20230

Tel: (202) 482-3952; Fax: (202) 482-3042

U.S. Bureau of Export Administration (Re: export controls)

Export Counselling Division

U.S. Department of Commerce, Rm.3898, Washington, D.C. 20230

Tel: (202) 482-4811; Fax: (202) 482-3911

U.S. Export-Import Bank

David Fiore, Loan Officer

811 Vermont Avenue, N.W., Washington, D.C. 20571-0999

Tel: (202) 565-3815; Fax: (202) 565-3816

Overseas Private Investment Corporation

1100 New York Avenue, N.W., Washington, D.C. 20527

Tel: (202) 336-8618; Fax: (202) 408-5145

U.S. Trade and Development Agency

Kelley Ann Szalkowski, Country Manager for Russia

U.S. Department of State, SA-16, Rm.301

U.S. Department of State, Office of Russian Affairs

2201 C Street, N.W., Washington, D.C. 20520

Tel: (202) 647-6747; Fax: (202) 736-4710

U.S. Agency for International Development

Office of Privatization and Economic Restructuring

Washington, D.C. 20523

Tel: (202) 736-4410

U.S. Department of Agriculture

Russian Area Officer

14th St. and Independence Avenue S.W., Washington, D.C. 20250

Tel: (202) 720-3080

Special American Business Internship Training Program (SABIT)

Liesel Duhon, Director

U.S. Department of Commerce, Rm.3006, Washington, D.C. 20230

Tel: (202) 482-0073; Fax: (202) 482-4098

**U.S.-Based Multipliers and International Organizations
with Interests in Russia:****U.S.-Russia Business Council**

Eugene K. Lawson, President

1701 Pennsylvania Ave., N.W. Suite 650, Washington, D.C. 20006

Tel: (202) 956-7670; Fax: (202) 956-7674

American-Russian Chamber of Commerce & Industry

Helen Teplitskaya, President

200 World Trade Center Chicago

2400 Merchandise Mart, Chicago, IL 60654

Tel: (312)-494-6562; Fax: (312) 494-9840

Russian-American Chamber of Commerce

Deborah Palmieri, President

6200 South Quebec St., Suite 210, Englewood, CO 80111

Tel: (303) 689-8642; Fax: (303) 689-8762

Foundation for Russian-American Economic Cooperation

Carol Vipperman, President

1932 First Avenue, Suite 803, Seattle, WA 98101

Tel: (206) 443-1935; Fax (206) 443-0954

National Association of State Departments of Agriculture

Richard Kirchhoff, Executive Vice President

1156 15th Street, N.W. Suite 1020, Washington, D.C. 20005

**The World Bank and
International Bank for Reconstruction and Development
U.S. Department of Commerce Liaison**

Eric Weaver, Senior Commercial Officer
Janice Mazur, Commercial Liaison
Office of the U.S. Executive Director
1818 H Street, NW, Washington, DC 20433
Tel: (202) 458-0120/0118/1954; Fax: (202) 477-2967
Eric.Weaver@mail.doc.gov or Janice.Mazur@mail.doc.gov

International Finance Corporation (IFC)

Mark Constantine
1850 Eye Street, NW, Washington, DC 20433
Tel: (202) 473-9331; Fax: (202) 676-1513
Moscow Office: Roger Gale
6, Neglinnaya St., Moscow
Tel: (095) 928-5328; Fax: (095) 927-6832

**Office of Multilateral Development Banks,
U.S. & Foreign Commercial Service**

U.S. Department of Commerce, Room H-1107
Washington, D.C. 20230
Tel: (202) 482-3399; Fax: (202) 273-0927

European Bank for Reconstruction and Development (EBRD)

Gene Harris, U.S. Department of Commerce Liaison
Office of the U.S. Executive Director, EBRD
One Exchange Square, London EC2A 2EH, United Kingdom
Tel: 011-44-171-338-7532; Fax: 011-44-171-338-6487

XII. MARKET RESEARCH AND TRADE EVENTS

APPENDIX F: MARKET RESEARCH REPORTS

U.S. and Foreign Commercial Service Industry Sector Analyses

(ISAs): A comprehensive, updated list of market research reports produced by the U.S. Commercial Service in Russia is available on the National Trade Data Bank (see Chapter I). Following are 22 recently or soon-to-be released reports:

Hotel and Restaurant Equipment	(January 1999)
The Automotove Aftermarket	(February 1999)
Metallurgy in the Urals	(February 1999)
Food Processing in the Urals	(March 1999)
Dental Equipment	(March 1999)
Agricultural Machinery	(March 1999)
Russia's Petroleum Refining Industry	(March 1999)
Ports in Russia	(March 1999)
Internet Services in Russia	(April 1999)

Durable Household Appliances	(May 1999)
Furniture Manufacturing in the Urals	(May 1999)
Construction Materials in the Urals	(June 1999)
Pharmaceuticals in the Russian Far East	(June 1999)
Advertising in Russia	(June 1999)
Construction Markets in Northwest Russia	(June 1999)
Food Processing & Packaging, Russian Far East	(July 1999)
Russia's Insurance Industry	(August 1999)
The Finished Apparel Market in Russia	(September 1999)

APPENDIX G: TRADE EVENT SCHEDULE

A comprehensive list of trade shows in Russia is available from any U.S. and Foreign Commercial Service post in Russia. The following is a list of significant events scheduled as of mid-1999. Many of these exhibitions are held annually:

MAKS'99, International Aviation and Space Salon, August 17-20, 1999
Moscow, Zhukovsky airfield, Gromov Flight Research Institute
Official Organizer: The Government of the Russian Federation
Tel: (7-095) 207-0046, 207-5500; Fax: (7-095) 207-2977

Russian Farmer, August 24-30, 1999, St. Petersburg
Russian Farmer Trade Fair JSC
8 Malaya Morskaya
191186 St. Petersburg, Russia
Tel./Fax: (7-812) 312-0635, 315-9918, 164-5368

MIMS, Moscow International Motor Show, August 25-29, 1999, Moscow
Organizer: ITE International Trade and Exhibitions Ltd.
Carola Jansen, Director Corporate Marketing
Byron House, 112A Shirland Road
London W9 2EQ, U.K.
Tel: (44-171) 286-9720; Fax: (44-171) 286-0177
Web site: www.ite-exhibitions.com
(In 1998, MIMS featured over 600 exhibitors from 41 countries and occupied 100% of the Krasnaya Presnya Expocentre. It attracted 450,000 visitors.)

Stroyindustriya i Arkhitektura'99 International Show, September 6-10, 1999
(Construction & Architecture'99)
Site: Moscow, Expocenter
Organizer: "Mezhvystavka Firm", ZAO Expocentr
Krasnopresnenskaya Nab, 14
123100, Moscow, Russia
Tel: (7-095) 255-3723, 255-3733; Fax: (7-095) 205-6055
Email: mezvist@expocentr.ru; <http://www.expocentr.ru>

Chemistry-99, 10th International Show, September 6-10, 1999, Moscow
Organizer: Expocenter (see above)
E-mail: zinovyeva@expocentr.ru

Cleaning Industry, September 8-11, 1999, Sokolniki, Moscow

Organizer: MAKSIMA

Tel: (7-095) 124-7760; Fax: (7-095) 124-7060

Hospital 99, September 13-16, 1999, St. Petersburg
 Primexpo (an official agent of ITE in St. Petersburg)
 V.O. Bolshoy prospect 103
 199106 St. Petersburg, Russia
 Tel.: (7-812) 119-5166; Fax: (7-812) 119-5135
 E-Mail: strax@ite.spb.ru

**2nd International All-Russian Congress for the Forestry Industry
 Complex of the Russian Federation/CIS**, September 14-17, 1999

In St. Petersburg, which includes:

Lesdreveexpo Russia 99 - The 3rd International All Russian
 Exhibition for the Technical Forestry and Woodworking industries, &

Timber Port/Transport '99 - The 2nd International Specialized
 Exhibition for Timber Ports and Inland Transportation
 Peter's Town Exhibitions (USA) Inc.
 10th Krasnoarmeiskaya, 15
 198103 St. Petersburg Russia
 Tel: (7-812) 259-4535/6; Fax: (7-812) 327-5553
 E-mail: ptexpo@mail.wplus.net

Sibsvyaz'99. Elcom Siberia'99, September 14-17, 1999, Novosibirsk
 (Int'l. Exhibition of Telecommunication Equipment & Information
 Technologies)

Organizers: Sibirskaya Yarmarka, FairTrade (Germany)
 220, Building 10, Krasny Prospekt, Novosibirsk, 630049
 Phone: (7- 832) 10-6290, 10-6294; Fax: (7-3832) 10-6290, 26-9802
 E-mail: chirkova@sibfair.nsk.su; Web site: sibfair.nsc.ru

Moda - Autumn'99 (Fashion-Autumn), September 20-24, Moscow
 (Fashion & Apparel Expo)

Organizers: Comtek International, Inc. (USA)
 43 Danbury Road, Wilton, CT 06897
 Tel: (7-203) 834-1122; Fax: (7-203) 762-0773
 Crocus International (Russia)
 Krivokolenny per., 9, Bldg. 1
 Moscow, Russia
 Tel: (7-095) 923-4697; Fax: (7-095) 232-3372

WasteTech-99, September 21-24, 1999, Moscow
 (International Exhibition and Conference on Waste Management)

Krymski Val Exhibition Center
Organizers: MinEcon; State Committee for Environment Protection; State
 Construction Committee; The Government of Moscow; SIBICO International Ltd.
 Tel.: (7-095)-737-5035

World of Beauty'99, September 25-28, 1999, Manezh, Moscow

Organizers: Valeri Gorelik, Vice President
 Association of Hairdressers & Cosmetologists of Russia
 12, Bolshoy Afanasyevskiy pereulok, building 2-3
 121019 Moscow, Russia
 Tel: (7-095) 203-4339, 203-1904; Fax: (7-095) 203-1904
 Beauty Center Wella Dolores
 Tel: (7-095) 290-5137

Attendance of 150 participants from Russian and 20 foreign countries is anticipated.

Tel: (7-095) 250-9368, 251-9792; Tel/Fax: (7-095) 251-0730

Leisure'99, September 29 - October 3, 1999, Moscow

Site: Olimpiyskiy Sports Complex, Moscow

Organizers: M.S.I. Vertriebs GmbH

23, Nikitskaya str., 121069, Moscow, Russia

Tel: (7-095) 202-9349, 290-4013; fax: (7-095) 290-6002

In Austria: 8/2, Neudeggergasse

1080, Vienna, Austria

Tel/fax: 43-1-402-8954; Email: sport@msi-fairs.com

<http://www.msi.fairs.com>

RosLegProm-Fair September 28 - October 7, 1999, Moscow

13th Federal Wholesale Fair of Light Industry and Textile Goods

Orgnizers: Mikhail Novikov, Director

22/39 Zubovskiy Blvd., 119870 Moscow GSP-3, Russia

Tel: (7-095) 246-6503, 246-6176; Fax: (7-095) 247-1825, 247-1812

Tatyana Popova, Manager, ROSLEGPROM

Tel: (7-095) 245-2534; fax: (7-095) 247-1825

ROSTEXTIL: Tel: (7-095) 124-6685; Fax: (7-095) 124-6826

MSI: Tel: (7-095) 202-9349; Fax: (7-095) 290-6002

Internetcom'99, October 4-8, 1999, Moscow

(Internet, Computer Networks and Telecommunications)

Organizers: Comtek International, Inc. (USA)

43 Danbury Road, Wilton, CT 06897, USA

Phone: (203) 834-1122; Fax: (203) 762-0773

Crocus International (Russia)

Krivokolenny per., 9, Bldg. 1, Moscow

Tel: 7 (095) 255-3723, 255-3733; Fax: 7 (095) 205-6055

E-mail: mezvist@expocentr.ru; Web site: www.expocentr.ru

MISS/MIBS Autumn'99, October 21-24, 1999, Moscow

Moscow International Sport & Leisure Show

and **Moscow International Boat and Yaht Show**

Organizer: ITE London

Tel: 44-171-286-9720; Fax: 44-171396-0132

Email: motor@ite-exhibitions.com

L&A Moscow

Tel: (7-095) 935-7350; Fax: (7-095) 935-7351; Email: motor@la.ru

Gaming and Amusement, October, 1999, Moscow

Site: All-Russia Exhibition Center on Prospect Mira

Organizer: CROCUS Intnl

Tel: (7-095) 924-5644; Fax: (7-095) 924-5520

Agroprod mash '99, October 18-22, 1999, Moscow

(4th Intl exhibition of agricultural, food processing equipment)

Site: Expocentr, 14 Krasnopresnenskaya nabarezhnaya

Tel: (7-095) 255-3799; Fax: (7-095) 205-2800

MOSSHOES'99, October 18-21, 1999, Sokolniki, Moscow

(Footwear, leather goods)

Organizer: MAKSIMA

Tel: (7-095) 124-7760; Fax: (7-095) 124-7060

World of Sport '99, Moscow, October 25-29, 1999, Manezh

Organizer: MSI

Tel: (7-095) 202-9349; Fax: (7-095) 290-6002

St. Petersburg Batimat, October 27-30, 1999, St. Petersburg

Primexpo (an official agent of ITE in St. Petersburg)

V.O. Bolshoy prospect 103

199106 St. Petersburg, Russia

Tel.: (7-812)-119-5166; Fax: (7-812)-119-5135

E-Mail: strax@ite.spb.ru

Seafood '99, October 1999, Moscow

(3rd International exhibition of sea products and seafood processing and cold storage technologies)

Organizer: M-Expo

Sovincenter, Moscow

Tel: (7-095) 292-1136; Fax: (7-095) 253-1140

E-mail: m-expo@cityline.ru

Agroprod mash '99, October 1999, Moscow

(5th international exhibition of agricultural, farming, food processing equipment, and trade and packaging equipment)

Organizer: Expocenter

14 Krasnopresnenskaya Nabarezhnaya, Moscow

Tel: (7-095) 255-3799; Fax: (7-095) 205-2800

Expo Milk '99, October 1999, Moscow

(2nd international specialized exhibition of milk products and milk processing and storage technologies)

Organizer: M-Expo

12, Krasnopresnenskaya Nab., Congress center 4,

Tel.: (7-095) 292-1136; Fax: (7-095) 253-1140

Food Products '99 and Kuban '99, October 1999, Sochi

(International Exhibitions for food products and food processing technologies)

Organizer: SOUD

Tel: (7-8622) 62-30-15; Fax: (7-8622) 62-31-79

Upakovka Ural '99, October 1999

(Sixth international exhibition for packaging machinery and materials)

Site: Ufa, Bashkortastan

Organizer: BashExpo

Tel: (7-3472) 53-41-08; Fax: (7-3472) 52-55-93

Supermarket '99, October 1999, Krasnoyarsk

(Exhibition for food processing equipment) co-located with

Upakovka, Etiketka '99 (Specialized packaging and labeling equipment)

Organizer: Krasnoyarskie Yarmarki

Tel: (7-3912) 35-32-87; Fax: (7-3912) 36-33-29

AgroProdSelmash '99, October 1999, Omsk

(Sixth international exhibition for food processing equipment and farm machinery) co-located with:

UpakAgro '99 (Fourth exhibition for packaging technologies)

Organizer: Intersib, Omsk, Russia

Tel: (7-3812) 25-84-87; Fax: (7-3812) 25-72-02

(Specialized exhibition for packaging machinery and technologies)

Organizer: Tymenskaya Mezhdunarodnaya Yarmarka

Tel: (7-3452) 32-12-23; Fax: (7-3452) 32-11-65

Food Products, Food Processing and Packaging Equipment '99,
October 1999

(Food products, food processing and packaging equipment)

Site: Ryazan

Organizer: RyazanInformExpo1

Tel: (7-0912) 55-59-64; Fax: (7-0912) 34-70-85

Drinks Russia and Drinktech '99, November 1999, Moscow

(4th international expo for beverages and beverage production equipment):

Beer Festival and Brewtech '99 (5th international brewing technology expo);

Drinkpack Moscow '99 (International beverage & packaging materials expo);

PET Equipment '99 (Second international exhibition of PET equipment);
and

Foodpack & Processing Technology '99 (International food processing and packaging technologies exhibition).

Organizers: ITE, L&A Exhibitions

Olimpiysky Sports Complex, Moscow

Tel: (7-095) 935-7350; Fax: (7-095) 935-7351

Upakovka Perm '99, Bakery Perm '99, Expofood Perm '99, November 1999, Perm

(Food products, confectionery, food processing and packaging equipment)

Organizer: Permskie Yarmarki

Tel: (7-3422) 48-15-95; Fax: (7-3412) 48-15-59

Upoli '99, November 1999, Krasnodar

(Packaging and labeling technologies), KubanInterAgro '99 (International exhibition for farm machinery and food processing equipment)

Organizer: KrasnodarExpo

Tel: (7-8612) 68-55-52; Fax: (7-8612) 59-98-16

Sibupak '99, November 1999, Novosibirsk

(Seventh exhibition for packaging and labeling technologies)

Organizer: Sibirskaya Yarmarka

Tel: (7-3832) 10-62-90; Fax: (7-3832) 10-62-92

TRBE '99, November 1-4 1999, Moscow

(Tele- Radio Broadcasting Exhibition)

Organizer: Comtek International/Crocus International

Headquarters:

43 Danbury Road, Wilton, Connecticut 06897 USA

Tel: 203-834-1122; Fax: 203-762-0773

E-mail: trbe@comtekexpo.com

Web site: www.comtekexpo.com

Moscow office:

4 Makarenko Ul., 1st floor, Moscow 103062, Russia

Tel. 7 (095) 925-7388; Fax: 7 (095) 925-7576

E-mail: info@comtek.ru

Autofilling Complex '99, November 2-4, 1999, Moscow

Organizer: Messe Dusseldorf International

World of Tennis' 99, November 8-13, Moscow

Site: Exhibition Center Moskva

Organizer: Moscow Center for Achievements in Science and Technology Moscow

Tel: (7-095) 188-7310; Fax: (7-095) 187-2173

Radiation Safety, November 9-12, 1999, St. Petersburg(2nd International Exhibition & Conference for maintenance and treatment of radioactive and nuclear fuel waste and environmental safety)Organizer: Restec Exhibition Company

Tel. (7-812) 112-1049; Fax: (7-812) 112-2348

Internet: www.restec.ru; E-mail: root@restec.spb.su**Aquaterra**, November 9-12, 1999, St. Petersburg(2nd International Exhibition & Conference for water resources, drinking and industrial water supply; technologies and equipment, control and testing, wastewater disposal and treatment)Organizer: Restec Exhibition Company

Tel. (7-812) 112-1049; Fax: (7-812) 112-2348

Internet: www.restec.ru; E-mail: root@restec.spb.su**MIRR (Natural Resources in the CIS)**, November 9-12, 1999, St.

Petersburg

7th International Exhibition & ConferenceOrganizer: Restec Exhibition Company

Tel. (7-812) 112-1049; Fax: (7-812) 112-2348

Internet: www.restec.ru; E-mail: root@restec.spb.su**Plastexpo**, November 9-12, 1999, St. Petersburg(2nd International Exhibition & Conference for equipment, technologies and raw materials for production of plastics, rubber and synthetic materials)Organizer: Restec Exhibition Company

Tel. (7-812) 112-1049; Fax: (7-812) 112-2348

Internet: www.restec.ru; E-mail: root@restec.spb.su**Oil Refining and Petrochemistry**, November 9-12, 1999, St. Petersburg

(Oil processing and petrochemical products)

Organizer: Restec Exhibition Company

Tel. (7-812) 112-1049; Fax: (7-812) 112-2348

Internet: www.restec.ru; E-mail: root@restec.spb.su**Auto and Service Show**, November 9-14, 1999, St. PetersburgOrganizer: Lenexpo, V.O. Bolshoy prospect 103

199106 St. Petersburg, Russia

Tel.: (7-812)-355-5988; Fax: (7-812)-355-1985

Messe Frankfurt Service GmbH

Ludwig-Erhard-Anlage 1

60327 Frankfurt am Main

Tel.: (069)-7575-6685; Fax: (069)-7575-6604

Hospital'99, September 13-16, 1999, St. Petersburg

The Annual International Exhibition of Pharmaceuticals, Medical Equipment and Health Care Products

Organizer: Primexpo, an official agent of ITE

V.O. Bolshoy Prospekt 103

St. Petersburg 199106, Russia

Tel.: (7-812)-119-5166; Fax: (7-812)-119-5135

E-mail: strax@ite.spb.ru

(The 4th International Exhibition of Dental Equipment, Instruments and Materials, and the 5th Congress of the Russian Dental Association)

Organizers: The Russian Dental Association

34 Novy Arbat, Office 405

Moscow 121099, Russia

Tel: (7-095)205-0340/-1813, 281-9561,288-8347; Fax:(7-095)205-0340,246-0681

Dental-Expo exhibition company

6A 2 Troitsky Per., Stroyenie 1

Tel.: (7-095) 281-7881; Fax: (7-095) 281-7881, 281-9306

E-mail: geosoft@com2com.ru

The event is supported by the Ministry of Health of Russia, International Dentists Federation (FDI), International Dental Manufacturers Association (IDM), and World Health Organization (WHO)

Apteka'99, September 14-19, 1999, Moscow

(The 6th International Specialized Pharmaceutical exhibition

The First International Forum on New Medical Technologies)

Site:Olimpiysky Sports Complex, Moscow

Organizers: M.S.I. Vertriebs GmbH (Austria)

M.S.I. office in Moscow

23 M. Nikitskaya Ul.

Moscow 121069, Russia

Tel.: (7-095) 290-4013, 202-9349; Fax: (7-095) 290-6002

Web site: <http://www.mr.ru/msi>

M.S.I. office in Vienna:

8/2 Neudeggergasse

Vienna 1080, Austria

E-mail: apteka@msi-fairs.com

Web site: <http://www.msi-fairs.com>

OA Pharmimex

7/5 Dmitrovka ul.

Moscow 101423, Russia

Tel.: (7-095) 292-5217; Fax: (7-095) 292-9889

Design - Advertisement - Book Shop-99, October 5-8, 1999, Khabarovsk
(2nd exhibition on advertising, design and information services)

Organizer: Khabarovsk International Fair

Valeri Cherepanov, Director General

Light Athletic Manege of the Lenin Stadium

Khabarovsk 680028, Russia

Tel: (7-4212) 715-437, 352-982; Fax: (7-4212) 715-437

E-mail: Jane@fair.khabarovsk.su

Small and Medium Business-99, October 5-8, 1999, Khabarovsk

(Exhibition of products and services of small businesses)

Organizer: Khabarovsk International Fair (see above)

Food Stuffs:Production, Packaging & Quality-99,October 5-8,Khabarovsk

(Second specialized exhibition of natural and canned food products, food and processing equipment and technologies)

Organizer: Khabarovsk International Fair (see above)

Window Dressing-99, October 5-8, Khabarovsk

(Specialized exhibition of sales equipment)

Organizer: Khabarovsk International Fair (see above)

(Exhibition fair of alcohol and non-alcohol drinks, beer, equipment and raw materials for production)

Organizer: Khabarovsk International Fair (see above)

Medicine'99, October 5-8, 1999

Site: Ufa, Republic of Bashkortostan, Russia

Organizer: BASHEXPO Exhibition Center

105 Mendelyeva Ul.

Ufa, Republic of Bashkortostan, Russia

Tel.: (7-3472) 53-41-08, 53-41-10, 52-53-86; Fax: (7-3472) 52-55-93

E-mail: BASHEXPO@UFANET.RU

Samara Expomed'99, October 12-15, 1999, Samara

International Healthcare Exhibition

Site: Exhibition Center (P, Alabin's Museum), Samara

Organizer: ITE Group/IEG Solingen/L&A Vystsvki I Konferentsii

Contact in Moscow:

18, Stroyenie 3 Dolgorukovskaya Ul.

Moscow 103006, Russia

Tel.: (7-095) 935-7350; Fax: (7-095) 935-7351

E-mail: Healthcare@la.ru

Healthcare'99 and Drug Store'99, October 26-29, 1999, Yekaterinburg

Site: Exhibition Center at 14 Vysotskogo Ul., Yekaterinburg

Organizer: Uralskiye Vystavki (Urals Exhibitions)

Contact: Vadim Zavyalov, Director

11A Sverdlova Ul, Yekaterinburg, Russia

Tel./Fax: (7-3432) 58-32-46, 70-17-96

Healthcare in Omsk, November 16-19, 1999, Omsk

Organizer: Intersib International Exhibition Center

Contact: Ivan Maslyuk, Director

15A Prospekt Mira Ul.

Omsk 644033, Russia

Tel.: (7-3812) 25-84-87, 25-25-56; Fax: (7-3812) 25-72-02, 23-02-91

E-mail: fair@intersib.omsk.ru

Medicine and Healthcare in Tyumen, November 16-19, 1999, Tyumen

Organizer: Tyumenskaya Mezhdunarodnaya Yarmarka (Tyumen International Fair)

Contact: Vladimir Kolomiytsev, General Director

2 Sevastopol'skaya Ul.

Tyumen 625013, Russia

Tel.: (7-3452) 31-02-77, 31-01-88; Fax: (7-3453) 31-00-78

Transportation & Telecommunication and Energy & Ecology. November 16-19, 1999, Vladivostok

(Power Supply Systems, Power Generation & Distribution, Energy Control & Measurement; Appliances, Ecological Technologies in Construction, Water Purification Systems, Waste Recycling)

Organizer: Dalexpocenter

14 Borodinskaya Street

Vladivostok, Russia 690000

Tel/Fax: (7-4232) 222-181, 222-166

Furniture'99, November 16-20, 1999, Moscow

(Furniture, fittings, upholstery)

Organizer: ZAO Expocentr, Firm "Mezhvystavka"

Tel: (7-095) 255-3723, 255-3733; Fax: (7-095) 205-6055
 Email: mezvist@expocentr.ru; <http://www.expocentr.ru>

Inwecom, November 23-27, 1999, St. Petersburg
 (International Exhibition of Telecommunications Equipment and Technologies)
Organizer: Restek
 Bolshoi Pr., 103, Vasilievski Ostrov, 199106, St. Petersburg
 Tel: (7-812) 325-1687, 112-2948; Fax: (7-812) 112-2348
 E-mail: inftech@restec.spb.su; Web site: www.restec.ru

Networks, November 23-27, 1999, St. Petersburg
 (International Exhibition of Computer Networks & the Internet)
Organizer: Restek
 Bolshoi Pr., 103, Vasilievski Ostrov,
 199106, St. Petersburg
 Tel.: (7-812) 325-1687, 112-2948; fax: (7-812) 112-2348
 E-mail: inftech@restec.spb.su; Web site: www.restec.ru

Pharmindustria'99, November 24-26, 1999
 (Moscow International Pharmaceutical Production Exhibition)
Organizer: ITE Group/IEG Solingen/L&A Vystsvki I Konferentsii
 18, Stroyenie 3 Dolgorukovskaya Ul.
 Moscow 103006, Russia
 Tel.: (7-095)-935-7350; Fax: (7-095)-935-7351
 E-mail: Healthcare@la.ru

ZDRAVO-OKHRANENIE'99, November 29-December 3, 1999
 (9th International Health Care Exhibition)
 Site: Expocentr on Krasnaya Presnya, Moscow
Organizers: ITE Group
 18, Stroyenie 3 Dolgorukovskaya Ul.
 Moscow 103006, Russia
 Tel.: (7-095)-935-7350; Fax: (7-095)-935-7351
 E-mail: Healthcare@la.ru
 ZAO Expocentr, Firm Mezhvystavka
 14 Krasnopresnenskaya nab.
 Moscol23100, Russia
 Tel.: (7-095)-255-3723/33; Fax: (7-095)-205-6055
 E-mail: mezvist@expocentr.ru; Web site: <http://www.expocentr.ru>

IT/Wireless Russia 99, November 30 - December 02, 1999, St. Petersburg
 (The 1st International Exhibition for GSM/Mobile Com, Sat Com and
 Information Technology Markets of the Russian Federation/CIS)
Organizer: Peter's Town Exhibitions (USA) Inc.
 10th Krasnoarmeiskaya, 15
 198103 St. Petersburg Russia
 Tel: (7-812) 259-4535, 259-4536; Fax: (7-812) 327-5553
 E-mail: ptexpo@mail.wplus.net

High-Technologia 99, November 30 - December 02, 1999, St. Petersburg
Organizer: Peter's Town Exhibitions USA Inc.
 10th Krasnoarmeiskaya, 15
 198103 St. Petersburg Russia
 Tel: (7-812) 259-4535, 259-4536; Fax: (7-812) 327-5553
 E-mail: ptexpo@mail.wplus.net

Consulting'99, December 7-10, 1999, Moscow

Equiphotel'99, December 7-10, 1999, Moscow

(International exhibition of hotel, restaurant, catering equipment)

Organizer: ITE Group, Hospitality Division

Byron House, 112A, Shirland Road

London W9 @EQ, UK

Tel: 44 (171) 286-9720; Fax: 44 (171)286-0177

Email: hospitality@ite-exhibitions.com

L & A Moscow

Dolgorukovskaya, 18, Bldg. 3

103006, Moscow, Russia

Tel: (7-095) 935-7350; Fax: (7-095) 935-7351

Franchising, December 8-10, 1999, Moscow

Expocenter, the 1st Exhibition on Franchising in Russia

Organizer: Crocus Intnl

Tel: (7-095) 924-5644; Fax: (7-095) 924-5520

Upakovka/UrackItalia, December 13-16,1999

(Tenth international exhibition of packaging machinery and equipment)

Expocentr, 14 Krasnopresnenskaya nabarezhnaya, Moscow

Tel: (7-095) 255-3799; Fax: (7-095) 205-2800

Computer-4, December 14-17, 1999, Vladivostok

(Computers, Computer Peripherals, Internet, Network Systems)

Organizer: Far Eastern Fair

22 Svetlanskaya Street

Vladivostok, Russia 690000

Tel/Fax: (7-4232) 221-987

Univermag/Universam 99, December 14-19, 1999, St. Petersburg

(The 1st Comprehensive Trade Show for Manufacturers and

Distributors/Retailers of Products for Russian Trade Houses, Department Stores, Supermarkets and Mini-Marts)

Organizer: Peter's Town Exhibitions USA Inc.

10th Krasnoarmeiskaya, 15

198103 St. Petersburg Russia

Tel: (7-812) 259-4535/-4536; Fax: (7-812) 327-5553

E-mail: ptexpo@mail.wplus.net

New Year, December 15-18, 1999, Vladivostok

(Food Products, Souvenirs, Gifts, Drinks, Toys)

Organizer: Vneshservice

13/A Okeansky Prospekt

Vladivostok, Russia 690000

Tel: (7-4232) 222-023; Tel/Fax: (7-4232)267-646

Agroindustrial Complex of Russia, December 15-20, 1999, Moscow

(2nd National Inter-industry exhibition with international participation)

Igor Filonenko, General Manager

Pavilions #57, 20 at the VVZ, Moscow

Tel: (7-095) 467-5001; Fax: (7-095) 460-0766; Email:info@la.ru

Modernization, December 1999, Moscow

Sokolniki Exhibition Complex

Organizer: Russian machine-tool Building Company Rosstankoinstrument

103789 Moscow Russia

Upakovka and UrackItalia '99, December 1999, Moscow
 (11th international exhibition of packaging machinery and equipment)
Organizer: Expocenter
 14 Krasnopresnenskaya Nabarezhnaya, Moscow
 Tel: (7-095) 255-3799; Fax: (7-095) 205-2800;
 Website: <http://www.mdna.com>

Agroindustrial Complex of Russia, December 1999, Moscow
 (Third National Inter-industry exhibition with international participation)
Organizer: Zashchita Expo
 Pavilions #57, 20 at the VVZ, Moscow
 Tel: (7-095) 467-5001; Fax: (7-095) 460-0766

Ural Food Technologies Exhibition 2000, and Packaging 2000
 (Food processing & packaging technologies), January 2000 in Yekaterinburg
Organizer: Uralskie Vystovki
 Tel: (7-3432) 70-17-95; Fax: (7-3432) 70-17-96

PoligrapExpo 2000 and Upakservice 2000, January 2000 in Novokuznetsk
 (Packaging technologies and materials)
Organizer: Kuzbasskaya Yarmarka
 Tel: (7-3843) 46-63-72; Fax: (7-3843) 46-84-46

CONSUMEXPO, January 17-21, 2000, Moscow
 (Consumer goods international trade show; 900 participants in 1999)
Organizer: EXPOCENTER
 Krasnopresnenskaya nab., 14
 Tel: (7-095) 255-3732, 255-3739; Fax: (7-095) 256-7297, 205-6055

Aqua Therm'2000, February, 2000, Moscow
 (Sanitary, heating, plumbing, and airconditioning equipment)
 Site: Moscow, Expocenter
Organizer: M.S.I. Vertriebs GmbH
 1080, Vienna, Austria
 Neudeggergasse, 8/2
 Tel: 43 1 402-8954; Fax: 43 1 402-8954/54
 Email: msi@msi-fairs.com; <http://www.msi-fairs.com>
 M.S.I. Vertriebs GmbH Office in Moscow
 M.Nikitskaya, 23
 121069, Moscow, Russia
 Tel: (7-095) 290-4013, 202-9349; Fax: (7-095) 290-6002
 (Aqua Therm'99 hosted over 200 exhibitors from over 16 countries)

Agroselmash 2000, February 2000, in Saratov
 co-located with **Etiketka 2000** and **Saratov-ProdExpo 2000**
 (Food processing and packaging technologies)
Organizer: SophitExpo
 Phone: (7-8452) 26-92-49; Fax: (7-8452) 26-46-71

Agro 2000, February 2000, in Ufa
 (Food processing technologies)
Organizer: RID
 Phone: (7-3472) 22-46-66; Fax: (7-3472) 22-40-57

Medicine in Our Life in Chelyabinsk, March 2-5, 2000
 Site: Exhibition Pavilion on 22 Engelsa Ul.. Chelyabinsk. Russia

2 Entuziastov Ul.
Chelyabinsk 454080, Russia
Tel./Fax: (7-3512) 65-29-56, 33-75-12, 33-75-18

3rd Moscow Int'l Motorcycle, Bike & Scooter Show (MIMBS), March 9-12, 2000

Moscow Boat & Yacht Show (MIBS'2000)

Moscow International Sport and Leisure Show (MISS'2000)

SVK VVC All Russia Exhibition Centre

Organizer: ITE Group

Tel: 44-171-286-9720; Fax: 44-171-286-1606

Tires and Rubber, March 13-16, 2000, in Moscow

Moscow International Specialized Exhibition "Tires and Rubber 2000"

Organizer: Maxima, Exhibition Organizers

117838 Moscow Russia

Profsoyuznaya Ulitsa, 3, Office #410

Vladimir Alyoshnikov, Executive Secretary

Tel: (7-095) 124-6766, 129-9272; Fax: (7-095) 124-7060, 124-6163

E-mail: waits@centro.ru

Yug-Agro 2000, March 2000, in Rostov-on-Don

(Food processing technologies and farm machinery)

Organizer: Expocenter

Tel.: (7-8632) 62-28-83; Fax: (7-8632) 62-07-27

Food Products 2000, March 2000, in Tyumen

co-located with **Agricultural Exhibition 2000**

(Food processing and packaging technologies, farm machinery)

Organizer: Tyumenskaya Mezhdunarodnaya Yarmarka

Tel.: (7-3452) 32-12-33; Fax: (7-3452) 32-35-22

Bakery and Macaroni 2000, March 2000, Moscow

(5th int'l. exhibition of bakery and pasta products and bakery equipment)

Organizer: Marketing Center Expokhlebo

Exhibition pavilion #69, VVZ, Moscow

Tel.: (7-095) 181-9904; Fax: (7-095) 974-0061

E-mail: yamvid@dol.ru

Web site: www.breadbusiness.ru

Moscow International Tourism and Travel Show (MITT), March 23-25, 2000

(842 Russian and 1300 foreign participants; 40,000 visitors in 1999)

Organizer: ITE: L&A in Moscow

18, Building 3, Dolgorukovskaya st.,

Moscow, 103006

Tel: (7-095) 935 7350; Fax: (7-095) 935 7351

Email: tourism@la.ru

In London: Int'l. Trade & Exhibitions Group (ITE)

Byron House, 112A Shirland Road,

London W9 2EQ, UK

Tel: 44 171 286 9720; Fax: 44 171 286 0177

Dental-Salon'2000, April 2000

The 3rd Int'l Exhibition of Dental Equipment, Instruments and Materials and the 4th scientific Conference on Topical Problems of Dentistry

Site: 84 Prospekt Vernadskogo

34 Novy Arbat, Office 405
 Moscow 121099, Russia
 Tel: (7-095) 205-0340/-1813,281-9561,288-8347; Fax: (7-095) 205-0340,246-0681
 Dental-Expo exhibition company
 6A 2 Troitsky Per., Stroyenie 1
 Tel.: (7-095) 281-7881; Fax: (7-095) 281-7881, 281-9306
 E-mail: geosoft@com2com.ru

Batimat Mosbuild'2000, April 18-21, 2000, Moscow
 International Building and Construction Exhibition at Expocenter
Organizer: ITE group Plc
 Byron House, 112A Shirland Road
 London W9 2EQ, U.K.
 Tel: 44 (0) 171-286-9720; Fax: 44 (0) 1717286-0177
 Email: press@ite-exhibitions.com
<http://www.ite-exhibitions.com>
 L & A Moscow
 Dolgorukovskaya, 18, Bldg. 3
 Tel: (7-095) 935-7350; Fax: (7-095) 935-7351; Email: info@la.ru
 Batimat Mosbuild'99 attracted over 850 exhibitors and nine international groups from over 30 countries; includes technical seminars.

Stroitech'2000, April, 2000, Moscow
 International Trade Show for construction technologies, machinery, equipment, instruments, materials
Organizer: Sokolniki Exhibition Center
 Sokolnichesky Val, 1, Pavilion 4
 107113, Moscow, Russia
 Tel: (7-095) 268-7603, 268-6323; Fax: (7-095) 268-0891
 Email: exsokol@online.ru; <http://www.a-z.ru/sokolniki-expo>

Interfood, Interdrink, Foodpack, April 27-30, 1999, St. Petersburg
Organizer: Primexpo (an official agent of ITE in St. Petersburg)
 V.O. Bolshoy prospect 103
 199106 St. Petersburg, Russia
 Tel.: (7-812) 119-5166; Fax: (7-812) 119-5135
 E-Mail: strax@ite.spb.ru
 Restec
 P.O. Box #85
 Manejnaya square 2
 191011 St. Petersburg, Russia
 Tel.: (7-812) 119-5522, 210-4718

COMTEK' 2000, April 2000
 Expocenter, Moscow, Russia
Organizer: CROCUS INTERNATIONAL (see above)

Neftegaz'2000 Oil and Gas Industry International Exhibition
 April-May, 2000, Moscow
Organizer: Expocenter (see above)

Sviaz/Expocomm'2000, May 10-13, 2000, Moscow
 (Int'l. exhibition in telecommunications, computers & peripherals, broadcasting and electronics, and Internet/Intranet)
Organizers: E.J. Krause and Assocs, Inc. and Expocenter
 E.J.Krause & Associates, Inc.
 6550 Rock Spring Drive, Suite 500, Bethesda, MD 20817, USA

Contact: Valerie Windom, Intl Marketing Administrator, Technology Group
 Moscow office: Pavilion 3, South Tower,
 14, Krasnopresnenskaya Nab.,
 Moscow 123100, Russia
 Tel: (7-095) 259-1343, 259-3093; Fax: (7-095) 255-2662
 E-mail: krause@dol.ru; Contact: Natalya Kaliberda, Office Director

TransRussia/ Transcity, 16-19 May, 2000, Moscow

Organizer: ITE Moscow
 103006 Moscow Russia
 Diana Bogdanova, PR Manager
 Malaya Dmitrovka, 16
 Tel/ Fax: (7-095) 978-1978

AG-RUS 99, May 16-20, St. Petersburg

1st International Exhibition for the Agriculture & Livestock Industries;

Euro-Food 99, May 16-20, 1999, St. Petersburg

5th International Exhibition for the Food/ Food processing Industries; and

Poultry Expo Russia 99

1st Exhibition for the Poultry Industry, May 16-20, 1999, St. Petersburg

Organizer: Peter's Town Exhibitions (USA) Inc.

10th Krasnoarmeiskaya, 15
 198103 St. Petersburg Russia
 Tel: (7-812) 259-4535, -4536; Fax: (7-812) 327-5553
 E-mail: ptexpo@mail.wplus.net

Metalworking-2000, May 22-27, 2000, St. Petersburg

6th International Exhibition

Organizer: Restec Exhibition Company

Tel. (7-812) 112-1049; Fax: (7-812) 112-2348
 Internet: www.restec.ru; E-mail: root@restec.spb.su

Medtechnika'2000, May 22-26, 2000

International annual exhibition

of medical equipment in Moscow

Site: Krasnaya Presnya Exhibition Center, Moscow

Organizer: ZAO Expocentr, Firm Mezhvystavka

14 Krasnopresnenskaya nab.
 Moscol23100, Russia
 Tel.: (7-095) 255-3723/33; Fax: (7-095) 205-6055
 E-mail: mezvist@expocentr.ru
 Web site: <http://www.expocentr.ru>

World Food Technology 2000, May 2000, Moscow

(Food processing equipment and technologies)

Organizer: Comtek, Inc.

Exhibition pavilion #57, VVZ, Moscow

Tel.: (7-095) 925-7388; Fax: (7-095) 925-7576

Bakery 2000, May 2000, Moscow

(Bakery equipment and ingredients)

Organizer: Expocenter

12 1-Krasnogvardeysky Proezd, Moscow, 123100
 Tel.: (7-095) 967-0461; Fax: (7-095) 967-0462

Meat and Milk Industry, Baby Food, Ingredients, June 2000, Moscow

(Meat products and meat processing technologies)

Tel: (7-095) 181-9140; Fax: (7-095) 755-6769
 E-mail: yamvid@dol.ru; Web site: www.breadbusiness.ru

PosUpack 2000, June 2000, Moscow

(Fifth international exhibition of packaging machinery and equipment for all branches of the industry)

Organizer: Sokolniki Exhibition Center

Pavilion #4, 1 Sokolnichesky Val, Moscow

Tel: (7-095) 268-6323; Fax: (7-095) 268-0891

Oil & Gas (Neftegaz-2000), June 19-23, 2000, St. Petersburg
 8th International Show

Organizer: Restec Exhibition Company

Tel. (7-812) 112-1049; Fax: (7-812) 112-2348

Internet: www.restec.ru; E-mail: root@restec.spb.su

Doroga-2000 Road Construction Exhibition , June 22-25, 2000

Organizer: M-Expo

Ozerkovsky Naberezhnaya, 50, Office 334

113054 Moscow Russia

Tamara Kataeva, President

Tel: (7-095) 292-1136; Fax: (7-095) 959-2362, 760-4226

E-mail: m-expo-@cityline.ru; <http://www.m-expo-ru>

Frozen Foods 2000, August 2000, Moscow

(Freezing equipment and frozen foods)

Organizer: ITE

Olimpiysky Complex, Moscow

Tel: (7-095) 935-7350; Fax: (7-095) 935-7351

MIMS (Moscow International Motor Show) , 23-27 August 2000

Organizers: ASM-Holding (agricultural machine building conglomerate responsible for the Russian and CIS-based participants), ITE - International Trade and Exhibitions Ltd. (for the foreign attendees) & JSC Expocentr ITE International Trade and Exhibitions Ltd.

Carola Jansen, Director Corporate Marketing

Byron House, 112A Shirland Road

London W9 2EQ, U.K.

Tel: (44-171) 286-9720; Fax: (44-171) 286-0177

Web site: www.ite-exhibitions.com

World of Beauty'99, September 25-28, Moscow

6th International Festival and Trade Show

Organizer: Valeri Gorelik, Vice President

Association of Hairdressers & Cosmetologists of Russia

12, Bolshoy Afanasyevskiy pereulok, building 2-3

121019 Moscow, Russia

Tel: (7-095) 203-4339, 203-1904; fax: (7-095) 203-1904

Contact: Valeriya Maydannikova, Division Director

Association of Hairdressers & Cosmetologists of Russia

Tel: (7-095) 250-9368, 251-9792; Tel/Fax: (7-095)-251-0730

Dental-Expo'2000, September 2000, Moscow

The 5th International Exhibition of Dental Equipment, Instruments and Materials, and the Sixth Congress of the Russian Dental Association
 Site: 84 Prospekt Vernadskogo

Organizers: The Russian Dental Association

Tel: (7-095) 205-0340/-1813, 281-9561, 288-8347; fax: (7-095) 205-0340, 246-0681
 Dental-Expo exhibition company
 6A 2 Troitsky Per., Stroyenie 1
 Tel.: (7-095) 281-7881; Fax: (7-095) 281-7881, 281-9306
 E-mail: geosoft@com2com.ru

Household Chemistry-2000, 2nd International Exhibition
 October 17-20, 2000, St. Petersburg
Organizer: Restec Exhibition Company
 Tel. (7-812) 112-1049; Fax: (7-812) 112-2348
 Internet: www.restec.ru
 E-mail: root@restec.spb.su

INFORMATIKA, October 19-23, 2000, Moscow
 Organizer: CROCUS INTERNATIONAL
 Mr. Sandghar Turgunov
 Krivokolenny per. 9, Bldg. 1
 Moscow, Russia
 Tel: (7-095) 923-4697; Fax: (7-095) 232-3371

INTERNETCOM, October 20-25, 2000, Moscow
Organizer: COMTEK INTERNATIONAL
 43 Danbury Road
 Wilton, CT 06897 USA
 Tel: 203 834 1122; Fax: 203 762 0773
 E-mail: comtekexp@aol.com
 Russian contact: CROCUS INTERNATIONAL
 Mr. Sandghar Turgunov
 Krivokolenny per. 9, Bldg. 1
 Moscow, Russia
 Phone: (7-095) 923 4697; Fax: (7-095) 232 3371

Modernization, December 2000, Moscow
 (Annual exhibition for used equipment, technologies for repair and modernization, and services for used equipment in manufacturing, packaging and construction equipment; also automotive parts and services)
Organizer: Russian machine-tool building company Rosstankoinstrument
 103789 Moscow Russia
 Tverskaya Ulitsa, 20
 Tel: (7-095) 209-5921, 209-5804; Fax: (7-095) 200-0275